

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

(Mark One)

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

For the quarterly period ended July 31, 1996

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

For the transition period from _____ to _____

Commission File Number: 1-10308

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

Delaware 06-0918165
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

707 Summer Street
Stamford, Connecticut 06901
(Address of principal executive offices) (Zip Code)

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report.)

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Common Stock, \$.01 par value - 262,386,160 shares as of August 31, 1996

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PART I. FINANCIAL INFORMATION
CUC INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	July 31, 1996	January 31, 1996
Assets	(Unaudited)	
Current Assets		
Cash and cash equivalents	\$297,458	\$307,965
Marketable securities	73,555	63,423
Receivables	415,665	391,539
Prepaid membership materials	47,021	39,061
Prepaid expenses, deferred taxes & other	143,831	135,772
Total Current Assets	977,530	937,760
Membership solicitations in process	61,881	60,713
Deferred membership acquisition costs	277,240	273,102
Contract renewal rights and intangible assets - net of accumulated amortization of \$109,556 and \$98,362	290,772	287,804
Properties, at cost, less accumulated depreciation of \$105,089 and \$94,173	86,054	80,964
Deferred income taxes and other	50,823	41,943
	\$1,744,300	\$1,682,286
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$138,402	\$182,602
Federal and state income taxes payable	14,054	35,957
Total Current Liabilities	152,456	218,559
Deferred membership income	510,219	513,219
Convertible debt	23,428	23,389
Zero coupon convertible notes		14,410
Other	11,287	13,046

Contingencies (Note 6)

Shareholders' Equity		
Common stock-par value \$.01 per share; authorized 600 million shares; issued 254,246,281 shares and 246,171,191 shares	2,542	2,462
Additional paid-in capital	569,506	446,528
Retained earnings	560,422	483,679
Treasury stock, at cost, 3,979,095 shares and 3,410,631 shares	(52,291)	(30,998)
Deferred compensation	(30,485)	
Unrealized (loss)gain on marketable securities	(106)	248
Foreign currency translation	(2,678)	(2,256)
Total Shareholders' Equity	1,046,910	899,663
	\$1,744,300	\$1,682,286

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended July 31,	
	1996	1995
REVENUES		
Membership and service fees	\$421,797	\$347,759
Software	68,580	62,260
Total Revenues	490,377	410,019
EXPENSES		
Operating	155,995	135,178
Marketing	171,082	145,805
General and administrative	66,479	58,973
Merger costs	28,635	
Interest income, net	(1,103)	(1,062)
Total Expenses	421,088	338,894
INCOME BEFORE INCOME TAXES	69,289	71,125
Provision for income taxes	33,981	26,823
NET INCOME	\$35,308	\$44,302
Net Income Per Common Share	\$0.14	\$0.18
Weighted Average Number of Common and Dilutive Common Equivalent Shares Outstanding	256,806	248,767

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share amounts)

	Six Months Ended July 31,	
	1996	1995
REVENUES		
Membership and service fees	\$811,823	\$672,873
Software	129,053	109,962
Total Revenues	940,876	782,835
EXPENSES		
Operating	301,466	254,699
Marketing	337,457	284,010
General and administrative	130,577	113,379
Merger costs	28,635	
Interest income, net	(2,770)	(2,219)
Total Expenses	795,365	649,869
INCOME BEFORE INCOME TAXES	145,511	132,966
Provision for income taxes	63,218	50,661
NET INCOME	\$82,293	\$82,305
Net Income Per Common Share	\$0.32	\$0.33
Weighted Average Number of Common and Dilutive Common Equivalent Shares Outstanding	255,084	247,542

See notes to condensed consolidated financial statements.

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

SIX MONTHS ENDED	JULY 31,	
	1996	1995
OPERATING ACTIVITIES:		
Net income	\$82,293	\$82,305
Adjustments to reconcile net income to net cash provided by operating activities:		
Membership acquisition costs	(235,308)	(186,090)
Amortization of membership acquisition costs	242,431	195,203
Deferred membership income	(14,499)	(18,283)
Membership solicitations in process	(1,168)	(6,184)
Amortization of contract renewal rights and excess cost	11,744	10,325
Deferred income taxes	6,734	13,984
Amortization of original issue discount on convertible notes	1,291	832
Depreciation	13,116	8,583
Changes in working capital items, net of acquisitions:		
Increase in receivables	(24,126)	(44,781)
Increase in prepaid membership materials	(7,960)	(7,938)
Increase in prepaid expenses other current assets	(16,453)	(12,024)
Net decrease in accounts payable and accrued expenses and federal and state income taxes payable	(30,286)	(25,533)
Other, net	(16,028)	(8,597)
Net cash provided by operating activities	11,781	1,802
INVESTING ACTIVITIES:		
Proceeds from matured marketable securities	34,204	29,916
Purchases of marketable securities	(44,336)	(30,177)
Acquisitions, net of cash acquired	(14,841)	(59,256)
Acquisitions of properties	(17,839)	(18,230)
Net cash used in investing activities	(42,812)	(77,747)
FINANCING ACTIVITIES:		
Issuance of Common Stock	18,537	14,663
Repayments of long-term obligations, net	1,987	(5)
Equity distributions		(60)
Net cash provided by financing activities	20,524	14,598
Net decrease in cash and cash equivalents	(10,507)	(61,347)
Cash and cash equivalents at beginning of period	307,965	263,098
Cash and cash equivalents at end of period	\$297,458	\$201,751

See notes to condensed consolidated financial statements.

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

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended

July 31, 1996 are not necessarily indicative of the results that may be expected for the year ending January 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-K filing for the year ended January 31, 1996. The condensed consolidated financial statements at July 31, 1996 and for the six months ended July 31, 1996 and 1995 are unaudited, but have been reviewed by independent accountants and their report is included herein. 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 noncurrent assets.

NOTE 2 -- MERGERS AND ACQUISITIONS

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 30.1 million shares of the Company's common stock, par value \$.01 per share ("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 25.6 million shares of Common Stock. Davidson and Sierra develop, publish and distribute educational and entertainment software for home and school use. The mergers with Davidson and Sierra have been accounted for in accordance with the pooling-of-interests method of accounting and, accordingly, the accompanying interim consolidated financial statements have been retroactively adjusted as if Davidson, Sierra and the Company had operated as one since inception.

The following represents revenues and net income of the Company and Davidson and Sierra for the six months ended July 31, 1995 and the last complete interim period preceding the mergers (unaudited, in thousands).

	Three months ended April 30, 1996	Six months ended July 31, 1995
Revenues:		
The Company	\$390,026	\$672,873
Davidson and Sierra	60,473	109,962
	-----	-----
	\$450,499	\$782,835
	=====	=====
Net Income (Loss):		
The Company	\$48,250	\$77,738
Davidson and Sierra	(1,265)	4,567
	-----	-----
	\$46,985	\$82,305
	=====	=====

Davidson and Sierra previously used the fiscal year-ends December 31 and March 31, respectively, for their financial reporting. To conform to the Company's January 31 fiscal year-end, Davidson's operating results for January 1996 have been excluded from the six months ended July 31, 1996 operating results in the accompanying financial statements. In addition, Sierra's operating results for February and March 1996 have been included in the operating results for the six months ended July 31, 1996 in the accompanying financial statements and for the year ended January 31, 1996. The above-mentioned excluded and duplicated periods have been adjusted by a \$5.7 million charge to retained earnings at July 31, 1996.

CUC INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

NOTE 2 -- MERGERS AND ACQUISITIONS (continued)

In connection with the Davidson and Sierra mergers, the Company

charged \$28.6 million (\$25.1 million or \$.10 per common share after-tax effect) to operations in the three months ended July 31, 1996 for merger costs. Such costs are non-recurring and are comprised primarily of transaction costs, other professional fees and integration costs.

NOTE 3 -- SHAREHOLDERS' EQUITY

For the three and six months ended July 31, 1996, \$14.7 million and \$14.9 million principal of zero coupon convertible notes were converted into 2.2 million shares and 2.3 million shares of Common Stock, respectively, and the related unamortized original issue discount (\$64,000 and \$68,000, respectively) was charged against additional paid-in capital. The balance of the change in additional paid-in capital and treasury stock relates to stock option activity.

The Company's fiscal 1990 recapitalization included establishment of a restricted stock plan designed to compensate and retain key employees of the Company. During July 1996, 910,000 restricted shares of Common Stock were granted with a fair value on the date of grant of \$30.5 million, which amount was deducted from shareholders' equity and is being amortized over the vesting period.

Net income per share, assuming the conversions of the zero coupon convertible notes during the six months ended July 31, 1996 occurred at the beginning of such period, would not differ significantly from the Company's actual earnings per share for such period.

NOTE 4 -- SOFTWARE RESEARCH AND DEVELOPMENT COSTS AND COSTS OF SOFTWARE REVENUE

Software research and development costs are included in operating expenses and aggregated \$15.3 million and \$13.5 million for the three months ended July 31, 1996 and 1995, respectively, and \$30.2 million and \$24.3 million for the six months ended July 31, 1996 and 1995, respectively. Costs of software revenue are included in operating expenses and aggregated \$21.1 million and \$28.4 million for the three months ended July 31, 1996 and 1995, respectively, and \$45.9 million and \$47.9 million for the six months ended July 31, 1996 and 1995, respectively.

NOTE 5 -- INCOME TAXES

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

NOTE 6 -- CONTINGENCIES - IDEON

During August 1996, the Company acquired Ideon (as defined and described in Note 7). At July 31, 1996, Ideon was defending or prosecuting claims in thirteen 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 thirteen cases in which Ideon or its subsidiaries is a party are as follows:

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.

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

NOTE 6 -- CONTINGENCIES - IDEON (continued)

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.

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.

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 amendment 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.

CUC INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

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.

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 to 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.

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.

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.

CUC INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

NOTE 6 -- CONTINGENCIES - IDEON (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's answer is currently scheduled to be filed on September 23, 1996.

A suit by Frist 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.

As noted in Note 7, the Company will establish a reserve upon the

Ideon merger related, in part, to these litigation matters. See Note 7. The Company is also involved in certain other claims and litigation arising from the ordinary course of business, which are not considered material to the operations of the Company.

NOTE 7 -- SUBSEQUENT EVENT

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 11 million shares of Common Stock (the "Ideon Merger"). This transaction will be accounted for under the pooling-of-interests method of accounting. The following represents unaudited pro forma financial data of the Company and Ideon (in thousands).

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	1996	1995	1996	1995
Income Statement Data:				
Revenue	\$555,744	\$466,048	\$1,077,957	\$896,707
Income (loss) before				
income taxes	77,217	(1,756)	161,341	60,514
Net income (loss)	40,461	(2,368)	92,582	35,936
Earnings (loss)				
per share	\$0.15	(\$0.01)	\$0.35	\$0.14

	July 31, 1996	January 31, 1996
Balance Sheet Data:		
Current assets	\$1,132,645	\$1,091,276
Current liabilities	264,278	332,005
Shareholders' equity	1,158,498	1,002,523

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

NOTE 7 -- SUBSEQUENT EVENT (continued)

All costs related to the Ideon Merger have not been reflected in the Company's financial statements but will be reflected in the consolidated statements of income during the period the Ideon Merger is completed. Such costs are non-recurring and include integration and transaction costs as well as costs relating to certain outstanding litigation matters (see Note 6) giving consideration to the Company's intended approach to these matters, which are estimated by the Company's management to approximate \$125.0 million (\$80.0 million after tax effect). Most of the reserve is related to these outstanding litigation matters. In determining such portion, 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 of the reserve to be accrued. The reserve for these matters will be expensed in the consolidated statement of income subsequent to the closing of the Ideon Merger, and any subsequent payments related to these matters will reduce the amount of the reserve. 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 reserve 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 expects to incur 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 also expects that there will be additional consolidation affecting other parts of Ideon's business that are substantially the same as the Company's existing businesses. The Company does not expect any loss in revenue as a result of these integration and consolidation efforts.

Independent Accountants' Review Report

Shareholders and Board of Directors
CUC International Inc.

We have reviewed the accompanying condensed consolidated balance sheet of CUC International Inc. as of July 31, 1996, the related condensed consolidated statement of income for the three-month and six-month periods ended July 31, 1996 and 1995, and the related condensed consolidated statement of cash flows for the six-month periods ended July 31, 1996 and 1995. These financial statements are the responsibility of the Company's management.

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

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

We previously audited and reported on the consolidated balance sheet of CUC International Inc. as of January 31, 1996, prior to the restatement for the fiscal 1997 poolings of interests with Davidson & Associates, Inc. ("Davidson") and Sierra On-Line, Inc. ("Sierra") described in Note 2 to the condensed consolidated financial statements. The balance sheets of Davidson and Sierra included in the January 31, 1996 consolidated balance sheet were audited and reported on separately by other auditors. We have also audited, as to combination only, the consolidated balance sheet as of January 31, 1996, after restatement for the fiscal 1997 poolings of interests with Davidson and Sierra; in our opinion, such consolidated balance sheet has been properly combined on the basis described in Note 2 to the condensed consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance as of January 31, 1996, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

September 4, 1996
Stamford, Connecticut

ITEM 2.

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

Three Months Ended July 31, 1996 vs.
Three Months Ended July 31, 1995

The Company's overall membership base continues to grow at a rapid rate (from 38 million members at July 31, 1995 to 49.5 million members at July 31, 1996), which is the largest contributing factor to the 21% increase in membership revenues (from \$347.8 million for the quarter ended July 31, 1995 to \$421.8 million for the quarter ended July 31, 1996). While the overall membership base increased by approximately 1.4 million members during the quarter, the average annual fee collected for the Company's membership services increased by less than 1%. The Company divides its memberships into three categories: individual, wholesale and discount program memberships. Individual memberships consist of members that pay directly for the services and the Company pays for the marketing costs to solicit the member primarily using direct marketing techniques. Wholesale memberships include members that pay directly for the services to their sponsor and the Company does not pay for the marketing costs to solicit the members. Discount program memberships are generally marketed through a direct sales force, participating merchant or general advertising and the related fees are either paid directly by the member or the local retailer. All of these categories share various aspects of the Company's marketing and operating resources.

Compared to the previous year's second quarter, individual, wholesale and discount program memberships grew by 17%, 25% and 54%, respectively, including members which came from acquisitions completed during fiscal 1996 (members resulting from acquisitions being "Acquired Members"). Discount program memberships have incurred the largest increase from Acquired Members, principally from Advance Ross Corporation, acquired in fiscal 1996, which provides local discounts to consumers. For the quarter ended July 31, 1996, individual, wholesale and discount coupon program memberships represented 63%, 15% and 22% 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.

Software revenues increased 10% from \$62.3 million for the quarter ended July 31, 1995 to \$68.6 million for the quarter ended July 31, 1996. Distribution revenue, which typically has low operating margins, was down from \$28.6 million to \$12.6 million. The

Company's software operations continue to focus on the growth of selling titles through retailers. Excluding distribution revenue, core software revenue grew by 66%. 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 costs and taxes ("EBIT") increased from \$70.0 million to \$96.8 million, and EBIT margins improved from 17% to 20%.

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

Operating costs increased 15% (from \$135.2 million to \$156.0 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). 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. Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention.

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

Three Months Ended July 31, 1996 vs.
Three Months Ended July 31, 1995

Marketing costs decreased as a percentage of revenue (from 36% to 35%). This decrease is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 10.5% (from \$102.2 million to \$112.9 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 28% (from \$98 million to \$125 million). Other marketing costs decreased by 4% (from \$47.8 million to \$46.1 million). These increases 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 consumer services are combined for its various services and, accordingly, there are no significant changes in marketing costs by service.

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

General and administrative costs remained constant as a percentage of revenue (14%). This is the result of the Company's ongoing ability to control overhead. Interest income, net, was \$1.1 million for the three months ended July 31, 1996 and 1995.

Merger costs are non-recurring and are comprised primarily of transaction costs, professional fees and integration costs associated with the mergers of the Company with Davidson and Sierra.

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

Six Months Ended July 31, 1996 vs.
Six Months Ended July 31, 1995

The Company's overall membership base continues to grow at a rapid rate (from 38 million members at July 31, 1995 to 49.5 million members at July 31, 1996), which is the largest contributing factor to the 21% increase in membership revenues (from \$672.9 million for the six months ended July 31, 1995 to \$811.8 million for the six months ended July 31, 1996). While the overall membership base increased by approximately 3 million members during the six months ended July 31, 1996, the average annual fee collected for the Company's membership services increased by 1%. The Company divides its memberships into three categories: individual, wholesale and discount program memberships. Individual memberships consist of members that pay directly for the services and the Company pays for the marketing costs to solicit the member primarily using direct marketing

techniques. Wholesale memberships include members that pay directly for the services to their sponsor and the Company does not pay for the marketing costs to solicit the members. Discount program memberships are generally marketed through a direct sales force, participating merchant or general advertising and the related fees are either paid directly by the member or the local retailer. All of these categories share various aspects of the Company's marketing and operating resources.

Compared to the previous year's first six months, individual, wholesale and discount program memberships grew by 21%, 21% and 59%, respectively, including members which came from acquisitions completed during fiscal 1996 (members resulting from acquisitions being "Acquired Members"). Discount program memberships have incurred the largest increase from Acquired Members, principally from Advance Ross Corporation, acquired in fiscal 1996, which provides local discounts to consumers. For the six months ended July 31, 1996, individual, wholesale and discount coupon program memberships represented 63%, 15% and 22% 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.

Software revenues increased 17% from \$110 million for the six months ended July 31, 1995 to \$129.1 million for the six months ended July 31, 1996. Distribution revenue, which typically has low operating margins, was down from \$41.7 million to \$25.7 million. The Company's software operations continue to focus on the growth of selling titles through retailers. Excluding distribution revenue, core software revenue grew by 57%. 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 EBIT increased from \$130.7 million to \$171.4 million, and EBIT margins improved from 17% to 18%.

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

Operating costs increased 18% (from \$254.7 million to \$301.5 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). 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. Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention.

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

Six Months Ended July 31, 1996 vs.
Six Months Ended July 31, 1995

Marketing costs remained constant as a percentage of revenue

(36%). This is primarily due to maintained per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 26% (from \$186.1 million to \$235.3 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 24% (from \$195.2 million to \$242.4 million). Other marketing costs increased by 7% (from \$88.8 million to \$95.1 million). These increases 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 consumer services are combined for its various services and, accordingly, there are no significant changes in marketing costs by service.

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

General and administrative costs remained constant as a percentage of revenue (14%). This is the result of the Company's ongoing ability to control overhead. Interest income, net, increased from \$2.2 million to \$2.8 million primarily due to the increased level of cash generated by the Company for investment.

Merger costs are non-recurring and are comprised primarily of transaction costs, professional fees and integration costs associated with the mergers of the Company with Davidson and Sierra.

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

Membership Information

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

Period	Number of Members	Net New Member Additions for the Period
Six Months Ended July 31, 1996	49,450,000	2,970,000
Year Ended January 31, 1996	46,480,000	12,630,000*
Six Months Ended July 31, 1995	38,025,000	4,175,000**
Year Ended January 31, 1995	33,850,000	3,000,000
Quarter Ended July 31, 1996	49,450,000	1,435,000
Quarter Ended July 31, 1995	38,025,000	1,175,000

*Includes approximately 8 million Acquired Members.

**Includes approximately 2.1 million Acquired Members.

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

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

Liquidity And Capital Resources; Inflation; Seasonality

Funds for the Company's operations and acquisitions have been provided through cash flow from operations. The Company also has a credit agreement, dated March 26, 1996, with certain banks signatory thereto; The Chase Manhattan Bank, N.A., Bank of Montreal, Morgan Guaranty Trust Company of New York and The

Sakura Bank, Limited, as Co-Agents; and The Chase Manhattan Bank, N.A., as Administrative Agent (the "Credit Agreement"). The Credit Agreement provides for a \$500 million revolving credit facility with a variety of different types of loans available thereunder. The Credit Agreement contains certain customary restrictive covenants including, without limitation, financial covenants and restrictions on certain corporate transactions, and also contains various event of default provisions including, without limitation, defaults arising from certain changes in control of the Company. The amount of borrowings available to the Company under the Credit Agreement was \$500 million at July 31, 1996, as there were no borrowings under the Credit Agreement at that date. The Credit Agreement is scheduled to expired March 26, 2001.

In fiscal 1996, Sierra entered into an unsecured bank line of credit that provides for borrowing of up to \$10 million, expiring August 31, 1996. The line contains covenants requiring Sierra to maintain certain financial ratios and minimum balances in cash and cash equivalents. There have been no borrowings by Sierra under this line of credit to date. This line of credit expired August 31, 1996.

All costs related to the Ideon Merger have not been reflected in the Company's financial statements but will be reflected in the consolidated statement of income during the period the Ideon Merger is completed. Such costs are non-recurring and include integration and transaction costs as well as costs relating to certain outstanding litigation matters (see Note 6 to the condensed consolidated financial statements) giving consideration to the Company's intended approach to these matters, which are estimated by the Company's management to approximate \$125.0 million (\$80.0 million after tax effect). Most of the reserve is related to these outstanding litigation matters. In determining such portion, 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 of the reserve to be accrued.

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

Liquidity And Capital Resources; Inflation; Seasonality
(continued)

The Company invested approximately \$15 million in acquisitions, net of cash acquired, during the six months ended July 31, 1996. These acquisitions have been fully integrated into the Company's operations. The Company is not aware of any trends, demands or uncertainties that will have a material effect on the Company's liquidity. The Company anticipates that cash flow from operations and the Credit Agreement will be sufficient to achieve its current long-term objectives.

The Company does not anticipate any material capital expenditures for the next year. Total capital expenditures were \$18 million for the six months ended July 31, 1996.

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

To date, the overall impact of inflation on the Company has not been material. Except for the cash receipts from the sale of coupon book memberships, the Company's 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 season.

For the six months ended July 31, 1996, the Company's international businesses represented less than 5% of EBIT. Operating in international markets involves dealing with sometimes volatile movements in currency exchange rates. The economic impact of currency exchange rate movements on the Company is complex because it is linked to variability in real growth, inflation, interest rates and other factors. Because the Company operates in a mix of membership services and numerous countries, management believes currency exposures are fairly well diversified. To date, currency exposure has not been a significant competitive factor at the local market operating level. As international operations continue to expand and the number of cross-border transactions increases, the Company intends to continue monitoring its currency exposures closely and take prudent actions as appropriate.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit

No.	Description
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3.1	Amended and Restated Certificate of Incorporation of the Company, as filed June 5, 1996 (filed as Exhibit 3.1 to the Company's Form 10-Q for the period ended April 30, 1996).*
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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).*
-----	---

10.1-10.20 Management Contracts, Compensatory Plans and Arrangements

10.1	Agreement with E. Kirk Shelton, dated as of May 15, 1996.
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10.2	Agreement with Christopher K. McLeod, dated as of May 15, 1996.
------	---

10.3	Amended and Restated Employment Contract with Walter A. Forbes, dated as of May 15, 1996.
------	---

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

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

10.6	Agreement with Amy N. Lipton, dated February 1, 1996 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*
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10.7	Employment Agreement with Robert M. Davidson, dated July 24, 1996.
------	--

10.8	Employment Agreement with Janice G. Davidson, dated July 24, 1996.
------	--

10.9 Non-Competition Agreement with Robert M. Davidson, dated July 24, 1996.

10.10 Non-Competition Agreement with Janice G. Davidson, dated July 24, 1996.

10.11 Employment Agreement with Kenneth A. Williams, dated July 24, 1996.

10.12 Non-Competition Agreement with Kenneth A. Williams, dated July 24, 1996.

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

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

10.15 Form of Director Stock Option for 1994 Directors Stock Option Plan, as amended (filed as Exhibit 10.11 to the Company's Form 10-Q for the period ended April 30, 1996).*

10.16 1987 Stock Option Plan, as amended (filed as Exhibit 10.9 to the Company's Form 10-Q for the period ended April 30, 1995).*

PART II. OTHER INFORMATION

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

10.17 1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.10. to the Company's Form 10-Q for the period ended April 30, 1995).*

10.18 1992 Directors Stock Option Plan, as amended (filed as Exhibit 10.14 to the Company's Form 10-Q for the period ended April 30, 1996).*

10.19 1994 Directors Stock Option Plan, as amended (filed as Exhibit 10.15 to the Company's Form 10-Q for the period ended April 30, 1996).*

10.20 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).*

10.21 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).*

10.22 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).*

10.23 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).*

10.24 Amendment No.1 dated as of July 24, 1996,

among Davidson & Associates, Inc., CUC International Inc. and Stealth I Acquisition Corp. (filed as Exhibit 2.2 to the Company's Report on Form 8-K filed August 5, 1996).*

10.25 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).*

10.26 Amendment No.1 dated as of March 27, 1996, among Sierra On-Line, Inc., CUC International Inc. and Larry Acquisition Corp. (filed as Exhibit 2.4 to the Company's Report on Form 8-K filed August 5, 1996).*

PART II. OTHER INFORMATION

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

10.27 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).*

10.28 Registration Rights Agreement dated July 24, 1996, among CUC International Inc. and the other parties signatory thereto (filed as Exhibit 10.1 to the Company's Report on Form 8-K filed August 5, 1996).*

10.29 Agreement of Sale dated July 23, 1996, between Robert M. Davidson and Janice G. Davidson and CUC Real Estate Holdings, Inc. (filed as Exhibit 10.2 to the Company's Report on Form 8-K filed August 5, 1996).*

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

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

15 Letter re: Unaudited Interim Financial Information

27 Financial data schedule

(b) During the quarter ended July 31, 1996, the Company filed the following Current Reports on Form 8-K:
None.

*Incorporated by reference

SIGNATURES

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

CUC INTERNATIONAL INC.
(Registrant)

Date: September 16, 1996

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

Date: September 16, 1996

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

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10.29		Agreement of Sale dated July 23, 1996, between Robert M. Davidson and Janice G. Davidson and CUC Real Estate Holdings, Inc. (filed as Exhibit 10.2 to the

Company's Report on Form 8-K filed August 5, 1996).*

- 10.30 Agreement and Plan of Merger, dated as of April 19, 1996, by and among Ideon Group, Inc., CUC International Inc. and IG Acquisition Corp. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*
- 11 Statement re: Computation of Per Share Earnings (Unaudited)
- 15 Letter re: Unaudited Interim Financial Information
- 27 Financial data schedule

*Incorporated by reference

CUC INTERNATIONAL INC. AND SUBSIDIARIES
EXHIBIT 11 - COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended July 31,	
	1996	1995
PRIMARY		
Average shares outstanding	242,505	233,052
Net effect of dilutive stock options - based on the treasury stock method using average market price	14,301	15,712
Total	256,806	248,764
Net Income	\$35,308	\$44,302
Net income per common share	\$0.137	\$0.178
FULLY DILUTED		
Average shares outstanding	242,505	233,052
Net effect of dilutive stock options - based on the treasury stock method using the period- end market price, if higher than the average market price	14,302	17,108
Net effect of zero coupon convertible notes - based on the if converted method	2,896	5,372
Total	259,703	255,532
Net Income	\$35,308	\$44,302
Zero Coupon Convertible Notes	522	599
Net income per common share	\$0.138	\$0.176

CUC INTERNATIONAL INC. AND SUBSIDIARIES
EXHIBIT 11 - COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)
(In thousands, except per share amounts)

	Six Months Ended July 31,	
	1996	1995
PRIMARY		
Average shares outstanding	241,224	232,285
Net effect of dilutive stock options - based on the treasury stock method using average market price	13,860	15,255
Total	255,084	247,540
Net Income	\$82,293	\$82,305
Net income per common share	\$0.323	\$0.332

FULLY DILUTED

Average shares outstanding	241,224	232,285
Net effect of dilutive stock options - based on the treasury stock method using the period-end market price, if higher than the average market price	14,086	16,506
Net effect of zero coupon convertible notes - based on the if converted method	3,631	5,770
	-----	-----
Total	258,941	254,561
	=====	=====
Net Income	\$82,293	\$82,305
Zero Coupon Convertible Notes	991	1,320
	-----	-----
	\$83,284	\$83,625
	=====	=====
Net income per common share	\$0.322	\$0.329
	=====	=====

CUC INTERNATIONAL INC. AND SUBSIDIARIES

EXHIBIT 15-LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION

September 16, 1996

Shareholders and Board of Directors
CUC International Inc.

We are aware of the incorporation by reference in the Registration Statements (Form S-8s: Numbers 33-17247, 33-17248, 33-17249, 33-26875, 33-75682, 33-93322, 33-41823, 33-48175, 33-58896, 33-91656, 333-03241, 33-74068, 33-74066, 33-91658, 333-00475, 333-03237, 33-75684, 33-80834, 33-93372, 333-09633, 333-09637, and 333-09655) of the CUC International Inc. 1985 Non-Qualified Stock Option Plan, the CUC International Inc. 1985 Incentive Stock Option Plan, the CUC International Inc. 1987 Performance Share Stock Option Plan, the CUC International Inc. 1987 Stock Option Plan, the CUC International Inc. 1987 Stock Option Plan as amended, the CUC International Inc. 1987 Stock Option Plan as amended, the CUC International Inc. 1990 Directors' Stock Option Plan, the Entertainment Publications Inc. 1988 Non-Qualified Stock Option Plan, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan as amended, the CUC International Inc. 1992 Directors Stock Option Plan, the CUC International Inc. 1992 Employee Stock Option Plan, the CUC International Inc. 1992 Employee Stock Option Plan as amended, the CUC International Inc. Employee Stock Option Plan as amended, the CUC International Inc. 1994 Employee Stock Purchase Plan, the CUC International Inc. 1994 Employee Stock Option Plan as amended, the CUC International Inc. Savings Incentive Plan, 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 and the Papyrus Design Group Inc. 1992 Stock Option Plan, respectively and in the Registration Statements (Form S-3s: Numbers 33-30306, 33-47271, 33-58598, 33-63237 and 33-95126) of our report dated September 4, 1996 relating to the unaudited condensed consolidated interim financial statements of CUC International Inc. which are included in its Form 10-Q for the quarter ended July 31, 1996.

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

Stamford, Connecticut

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CUC INTERNATIONAL INC.
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JUL-31-1996
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73,555
415,665
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977,530
191,143
105,089
1,744,300
152,456
23,428
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2,542
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940,876
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769,500
28,635
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(2,770)
145,511
63,218
82,293
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AGREEMENT

This Agreement made effective as of May 15, 1996 by and between CUC International Inc. (the "Company"), a Delaware corporation, and E. Kirk Shelton ("Executive").

WHEREAS, the Executive and the Company are parties to a certain Agreement dated February 1, 1987, as amended on November 1, 1991 and February 1, 1996 (the "Agreement"); and

WHEREAS, the Executive and the Company wish to make certain further amendments to the Agreement and to restate the Agreement as so amended in its entirety herein for ease of reference.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I EMPLOYMENT

The Company agrees to employ the Executive and the Executive agrees to be employed by the Company for the Period of Employment as provided in Section III.A below and upon the terms and conditions provided in this Agreement.

SECTION II POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive agrees to serve as President and Chief Operating Officer of the Company and to be responsible for the typical management responsibilities expected of an officer holding such position, reporting directly to the Chief Executive Officer of the Company.

SECTION III TERMS AND DUTIES

A. Period of Employment

The period of the Executive's employment under this Agreement (the "Period of Employment") will commence as of May 15, 1996 and shall continue until February 1, 2001, subject to extension or termination as provided in this Agreement. On February 1, 2001, and on each February 1 thereafter, the Period of Employment will be automatically extended by twelve additional calendar months unless prior to February 1, 2001 or any subsequent February 1 the Company shall deliver to the Executive, or the Executive shall deliver to the Company, written notice that the Period of Employment will end at the expiration of the then-existing Period of Employment, including any previous extensions thereof, and will not be further extended except by agreement of the Company and the Executive. The Period of Employment shall continue until the expiration of all automatic extensions unless it is terminated as provided in this Agreement.

B. Duties

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote all of his business time, attention and skill exclusively to the business and affairs of the Company and its subsidiaries. The Executive will not engage in any other business activity and will perform faithfully the duties which may be assigned to him from time to time by the Chief Executive Officer of the Company consistent with Section II of this Agreement. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

i. Serving, with the prior approval of the Chief Executive Officer of the Company, as a director or member of a committee or organization involving no actual or potential conflict of interest with the Company;

ii. Delivering lectures and fulfilling speaking

engagements;

iii. Engaging in charitable and community activities; and

iv. Investing his personal assets in such form or manner that will not violate this Agreement or require services on the part of the Executive in the operation or affairs of the companies in which those investments are made.

The activities described in clauses i, ii and iii, above will be allowed as long as they do not materially affect or interfere with the performance of the Executive's duties and obligations to the Company.

SECTION IV COMPENSATION AND BENEFITS

A. Compensation

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of the Company or any subsidiary of the Company, the Executive shall be compensated as follows:

i. Base Salary

The Company shall pay the Executive a fixed base salary ("Base Salary"), subject to annual increases as the Company deems appropriate, in accordance with the Company's customary procedures regarding the salaries of senior officers. Annual increases in Base Salary, once granted, shall not be subject to revocation. Base Salary shall be payable according to the customary payroll practices of the Company but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards.

iii. Long-Term Incentive Awards

The Executive will be eligible for discretionary stock option awards.

B. Additional Benefits

i. In addition, the Executive will be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of the Company generally are eligible under any plan or program now or established later by the Company on the same basis as similarly situated senior executives of the Company. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, in accordance with program provisions. These include any group hospitalization, health, dental care, life or other insurance, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, company auto allowance or auto lease plans, and contingent compensation plans, including capital accumulation programs and stock option plans, which the Company may establish. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans or programs applicable to salaried employees or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives, as the case may be. The Company will furnish to the Executive long-term disability insurance in an amount not less than sixty percent (60%) of Base Salary. The Company will reimburse the Executive for the cost of an annual physical examination of the Executive by a physician selected by the Executive, the results of which will be reported to the Chief Executive Officer. The Company will also furnish to the Executive (or reimburse the Executive for) personal financial, investment or tax advice

in an amount not to exceed \$4,500 per year.

ii. The Executive will be entitled to a minimum of four (4) weeks of paid vacation annually.

SECTION V BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive shall comply with such limitations and reporting requirements with respect to expenses as may be established from time to time.

SECTION VI DISABILITY

A. i. If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company or at the option of the Company upon notice of termination to the Executive. "Disabled" means a determination by an independent competent medical authority that the Executive is unable to perform his duties under this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of one hundred and eighty (180) days. Unless otherwise agreed by the Executive and the Company, the independent medical authority shall be selected by the Executive and the Company each selecting a board-certified licensed physician and the two physicians selected designating an independent medical authority, whose determination that the Executive is Disabled shall be binding upon the Company and the Executive. In such event, until the Executive reaches the age of sixty-five (65) (or such earlier date on which he is no longer Disabled), the Company shall continue to pay the Executive sixty percent (60%) of his Base Salary as in effect at the time of the termination minus the amount of any disability payments the Executive may receive under any long-term disability insurance maintained by the Company. 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. No incentive compensation shall be deemed earned within the meaning of this Agreement until the Executive is informed in writing as to the amount of such incentive compensation the Executive is to be awarded as to a particular period.

ii. The Company will also continue the benefits and perquisites described in this Agreement for a period of sixty (60) months subsequent to any such termination.

iii. In the event of any such termination, all unvested stock options held by the Executive shall be deemed fully vested on the date of such termination and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted.

iv. In the event of any such termination, any restrictions on any shares of restricted stock issued to the Executive prior to such termination shall be deemed to lapse fully on the date of such termination.

B. During the period the Executive is receiving payments of either regular compensation or disability insurance described in this Agreement and as long as he is physically and mentally able to do so without undue burden, the Executive will furnish information and assistance to the Company as reasonably requested and from time to time will make himself reasonably available to the Company to undertake assignments consistent with his prior position with the Company and his physical and mental health. During the disability period, the Executive is responsible and reports directly to the Company's Chief Executive Officer. If the Company fails to make a payment or provide a benefit required as part of this Agreement, the Executive's obligation to furnish information and assistance will end.

SECTION VII
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment shall end and the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid incentive compensation awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, in a lump sum within sixty (60) days after the date of the Executive's death. The Executive's designated beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement. The Company will also continue the benefits and perquisites described in this Agreement for the benefit of Executive's beneficiaries and surviving family for a period of thirty-six (36) months commencing on the Executive's death. Any stock options held by the Executive shall be deemed fully vested on the date of the Executive's death and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted. Any restrictions on any shares of restricted stock held by the Executive at the time of Executive's death shall be deemed to lapse fully on the date of the Executive's death.

SECTION VIII
EFFECT OF TERMINATION OF EMPLOYMENT

A. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge (other than as contemplated by Section XI), as defined below, the Company shall pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge in a lump sum an amount equal to three hundred percent (300%) of his Base Salary as in effect at the time of such termination. Earned but unpaid Base Salary and earned but unpaid incentive compensation awards also 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 thirty-six (36) months following such termination. In the event of any such Without Cause Termination or Constructive Discharge, any vested stock options held by the Executive shall be deemed to vest in full on the date of such termination, notwithstanding anything to the contrary in any applicable stock option agreements. In the event of any such Without Cause Termination or Constructive Discharge, any restrictions on any shares of restricted stock held by the Executive shall be deemed to lapse fully on the date of such termination.

B. If the Executive resigns or the Executive's employment terminates due to a Termination for Cause, 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. In addition, if the Executive resigns, any unvested stock options that would have otherwise vested during the thirty-six (36) months following the date of such resignation shall be deemed to vest in full on the date of such resignation. No other payments will be made or benefits or perquisites provided by the Company.

C. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph A of this Section VIII or Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination, except as expressly provided in this Agreement.

D. For this Agreement, the following terms have the following meanings:

i. "Termination for Cause" means termination of the Executive's employment by the Company upon a good faith determination by the Board of Directors, by written notice to the Executive specifying the event relied upon for such

termination, due to the Executive's serious, willful misconduct with respect to his duties under this Agreement (including but not limited to conviction for a felony or perpetration of a common law fraud) which has resulted or is likely to result in material economic damage to the Company and which, in any such case, is not cured (if such is capable of being cured) within thirty (30) days after written notice thereof to the Executive.

ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill its obligations under this Agreement in any material respect (including without limitation any reduction of the Executive's Base Salary, as the same may be increased during the Period of Employment, or other compensation; or failure to appoint or reappoint the Executive to the office of President and Chief Operating Officer; or other material change by the Company in the functions, duties or responsibilities of the Executive's position which would reduce the ranking or level, dignity, responsibility, importance or scope of such position; or any relocation of the Executive outside of the Stamford, Connecticut area). The Executive will provide the Company a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within ninety (90) days after the event giving rise to the notice. The Company will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "terminated Without Cause" means termination of the Executive's employment by the Company other than due to death, disability, or Termination for Cause. Without limiting the generality of the foregoing, the Executive shall be deemed to have been terminated Without Cause if the Company provides notice to the Executive pursuant to Section III A. of this Agreement that the Period of Employment will end at the expiration of the then-existing Period of Employment.

SECTION IX

OTHER DUTIES OF THE EXECUTIVE DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal action in which the Company or any of its affiliates is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of the Company or any of its affiliates ("Information") is confidential and is a unique and valuable asset of the Company or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than the Company or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of the Company or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of the Company or its affiliates.

C. i. During the Period of Employment and for a twelve (12) month period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with the Company or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to

the Company or any of its affiliates.

ii. During the Restricted Period, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of the Company or any of its affiliates or in any way injuring the interests of the Company or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board of Directors of the Company, will not engage in, or directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes in any way or manner with the business of the Company or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that the Company's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the world.

iii. During the Restricted Period, the Executive, without express prior written approval from the Board of Directors, will not solicit any members or the then-current clients of the Company or any of its affiliates for any existing business of the Company or any of its affiliates or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

iv. During the Restricted Period, the Executive will not meddle with the employees or affairs of the Company or any of its affiliates or solicit or induce any person who is an employee of the Company or any of its affiliates to terminate any relationship such person may have with the Company or any of its affiliates, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

v. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" shall include without limitation all subsidiaries and licensees of the Company.

vi. The Company's obligation to make any payments under the terms of this Agreement will cease upon any violation of the preceding paragraphs.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

E. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive

relief.

F. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

SECTION X INDEMNIFICATION; LITIGATION

A. The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or the certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being a director or officer of the Company.

B. In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all costs and expenses related to the litigation or proceeding, including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

SECTION XI CHANGE IN CONTROL

A. In the event there is a Change in Control, as defined below, the Executive may at any time immediately resign upon written notice to the Company. In the event of such resignation, or if the Executive is terminated Without Cause following a Change in Control, the Company shall immediately upon such resignation or termination pay to the Executive in a lump sum an amount equal to five hundred percent (500%) of the sum of his Base Salary as in effect at the time of such resignation, plus the largest annual incentive award paid to the Executive within the previous three (3) year period. In addition, earned but unpaid Base Salary and any earned but unpaid incentive compensation awards will be paid to the Executive in a lump sum at such time. The benefits and perquisites described in this Agreement will also be continued for three (3) years from the date of such resignation or termination Without Cause pursuant to a Change in Control. In the event there is a Change in Control, 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 resigns. In the event there is a Change in Control, all restrictions on any shares of restricted stock held by the Executive shall be deemed to lapse fully immediately upon such Change in Control, whether or not the Executive resigns. The Executive shall not be entitled to receive any duplicative payments as a result of the implementation of the provisions of this Section XI.

B. The Executive shall not be required to mitigate the amount of any payment provided for after a Change in Control 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.

C. A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of fifty-one percent (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 seventy-five percent (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 of the Company, (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 twenty-five percent (25%) 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.

D. i. In the event that any payment or benefit received or to be received by the Executive pursuant to the terms of this Agreement (the "Contract Payments") or of any other plan, arrangement or agreement of the Company or any affiliate ("Other Payments" and, together with the Contract Payments, the "Payments") would, in the opinion of independent tax counsel selected by the Company and reasonably acceptable to the Executive ("Tax Counsel"), be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (in whole or in part), as determined as provided below, the Payments shall be reduced (but not below zero) until no portion of the Payments would be subject to the Excise Tax. For purposes of this limitation, (a) no portion of the Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (b) only the portion of the Payments which in the opinion of Tax Counsel constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code shall be taken into account, (c) the Payments shall be reduced only to the extent necessary so that the Payments would not be subject to the Excise Tax, in the opinion of Tax Counsel, and (d) the value of any noncash benefit or any deferred payment or benefit included in such Payments shall be determined by the Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. If any reduction in Payments is necessary to satisfy this Paragraph, the Executive shall be entitled, at any time by written notice to the Company, to reduce the amount of any Payment otherwise payable to him (including, without limitation, by waiving, in whole or in part, the accelerated vesting under this Agreement on options previously granted the Executive), and to select from among the Payments those to be so reduced in order to satisfy the limitations of this Paragraph and the Company shall reduce the amount of such Payments accordingly. Any options the vesting of which would have otherwise accelerated but for the provisions of this Paragraph shall continue to vest in accordance with their respective terms; and shall upon such vesting 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.

ii. If it is established pursuant to an opinion of Tax Counsel or a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Paragraph D., any Payments paid to the Executive or for his benefit exceeded the limitation contained in this Paragraph D., then the Executive shall pay to the Company, within sixty (60) days of receipt of notice of such final determination or opinion, an amount equal to the sum of (a) the excess of the Payments paid to him or for his benefit over the maximum Payments that should have been paid to or for his benefit taking into account the limitations contained in this Paragraph D. and (b) interest on the amount set forth in clause (a) of this sentence at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of his receipt of such excess

until the date of such payment; provided, however, that (x) he shall not be required to make any payment to the Company pursuant to this Paragraph D.ii., (1) if such final determination requires the payment by him of an Excise Tax by reason of any Payment or portion thereof or (2) in the case of the opinion of Tax Counsel, until the expiration of the application statute of limitations or a final determination of a court or an Internal Revenue Service proceeding that no Excise Tax is due and (y) he shall only be required to make a payment to the Company pursuant to this Paragraph D.ii. to the extent such payment is deductible (or excludable from income) for federal income tax purposes.

iii. If it is established pursuant to an opinion of Tax Counsel or a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of Paragraph D.i. hereof, any Payments paid to him or for his benefit were in an amount less than the maximum Payments which could be payable to him without such payments being subject to the Excise Tax, then the Company shall pay to him, within ninety (90) days of receipt of notice of such final determination or opinion, an amount equal to the sum of (a) the excess, if any, of the payments that should have been paid to him or for his benefit over the payments paid to or for his benefit and (b) interest on the amount set forth in clause (a) of this sentence at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of his non-receipt of such excess until the date of such payment.

iv. The Company shall pay the Contract Payments at such times as set forth in the applicable paragraph hereof; provided, however, that if the Company in good faith believes that any such payments shall be reduced under the provisions of Paragraph D.i. hereof, the Company shall pay to the Executive at such time a good faith estimate of the reduced payments, the computation of which shall be given to him in writing together with a written explanation of the basis for making such adjustment. The Company shall, within thirty (30) days of the otherwise applicable payment date, either (a) pay to the Executive the balance of the payments together with interest thereon at the applicable federal rate (as defined in Section 1274(d) of the Code) or (b) deliver to him a copy of the opinion of Tax Counsel referred to in Paragraph D.i. hereof, as applicable, establishing the amount of the reduced payments, along with the excess, if any, of the reduced payments over the estimate previously paid on account thereof, together with interest thereon at the applicable federal rate (as defined in Section 1274(d) of the Code).

SECTION XII WITHHOLDING TAXES

The Company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

SECTION XIII EFFECT OF PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter hereof and supersedes any prior employment agreement between the Company and the Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement.

SECTION XIV CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of the Company hereunder. Upon such a consolidation, merger or sale of assets the term "the

Company" will mean the other corporation and this Agreement shall continue in full force and effect.

SECTION XV
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVI
LIFE INSURANCE POLICIES

A. The Executive owns insurance policies nos. 3022608, 2909164, and 2993536 with Guardian Life Insurance Company of America ("Guardian"), policies nos. 1046440 and 1074718 with Security Mutual Life Insurance Company of New York ("Security") and policy no. 2636034 with Canada Life ("Canada") (the Guardian, Security and Canada policies are referred to herein as the "Policies"). The Policies provide a death benefit equal to the cash surrender value of the Policies. The Executive has the right to name a beneficiary for all of the death benefits, subject to the rights of the Company under the Prior Life Insurance Agreements described below in Paragraph F. of this Section XVI. As part of the compensation paid by the Company to the Executive pursuant to this Agreement, the Company has advanced certain premium payments on the Policies through the date hereof.

B. In consideration of the services performed by the Executive pursuant to this Agreement, the Company agrees to advance annual premium payments for the Policies, in the aggregate, in the amount of approximately \$285,000 or such other annual amount as may be agreed to in writing between the Company and the Executive per year (the "Required Premiums") through the calendar year in which the Executive attains age sixty (60) regardless of whether the Executive is employed by the Company at the time the premiums are paid; provided, however, that the Required Premiums made by the Company shall cease in the event the Executive breaches any of the Covenants contained in Section IX hereof (the "Covenants").

C. In consideration of the Required Premiums to be advanced annually by the Company pursuant to this Section XVI, whether or not the Executive is employed by the Company pursuant to this Agreement, the Executive agrees not to breach the Covenants.

D. In further consideration of the premiums to be advanced annually by the Company, the Executive further agrees that between the date hereof and until the date the Executive attains age sixty (60), the Executive may not withdraw any amount (either as a Policy loan or a withdrawal of cash surrender value) from the Policies.

E. The Policies have been transferred by the Executive to the escrow agent agreed to by the Executive and the Company (the "Escrow Agent") pursuant to the escrow agreement dated as of February 1, 1996 between the Company, the Executive and the Escrow Agent annexed hereto as Exhibit A (the "Escrow Agreement"). In the event the Executive violates the Covenants prior to the Executive attaining age sixty (60), the Executive shall forfeit any interest in the Policies, and the Escrow Agent shall transfer the Policies to the Company, subject to the provisions of the Escrow Agreement. The Executive has executed an assignment agreement ("Assignment Agreement"), annexed hereto as Exhibit B, to reflect the obligation of the Executive to transfer the Policies to the Company in such event, and the Assignment Agreement shall be held in escrow by the Escrow Agent. Upon the Executive having attained age sixty (60) without having violated any of the Covenants, the Escrow Agent shall return the Policies to the Executive, and the Executive shall hold all right, title and interest in and to the Policies, without regard to the terms of the Covenants, but subject to the New Collateral Assignments described in Paragraph F of this Section XVI below.

F. Pursuant to collateral assignment agreements dated

December 13, 1988 and August 13, 1991, the Executive has assigned to the Company an interest in the Policies issued by Security equal to the premiums advanced by the Company. Pursuant to collateral assignment agreements dated June 2, 1988, the Executive has assigned to the Company an interest in the Policies issued by Guardian equal to the premiums advanced by the Company. These agreements are referred to herein collectively as the "Prior Life Insurance Agreements." New collateral assignments have been entered into between Guardian, Security and Canada (respectively), the Company and the Executive, copies of which are annexed hereto as Exhibit C ("New Collateral Assignments"). Each provides that the Company shall have an interest in such respective Policies equal to the premiums advanced by the Company. The New Collateral Assignments shall supersede the Prior Life Insurance Agreements.

G. During the term of this Agreement and further provided that the Executive does not breach the terms of the Covenants before his attainment of age sixty (60), in the event that the Company fails to make Required Premium payments for the Policies for any calendar year by December 31st of such year (the "Default Date"), the Company's right under any or all of the New Collateral Assignments to be repaid from the cash surrender value of the Policies, in respect of the premiums advanced by the Company to the Executive, shall be reduced by the shortfall (unless otherwise subsequently advanced by the Company) with interest at the rate of seven percent (7%) per annum (without regard to which Policy there is a failure to pay). Such interest shall be calculated from the Default Date to the earlier of the (a) date the Company advances Required Premiums with respect which there is a shortfall and certifies to the Executive that such payment is being made to make up for the shortfall, or (b) date of withdrawal of premiums advanced by the Company pursuant to the New Collateral Assignment. For purposes of the preceding sentence, the Executive may request a reduction from any Policy of the premiums to be repaid to the Company pursuant to the New Collateral Assignments.

H. In the event the Executive breaches any of the Covenants after attaining age sixty (60), the Company may seek an injunction in a court of competent jurisdiction barring the Executive from breaching such Covenants.

SECTION XVII GOVERNING LAW; CONSTRUCTION

This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state without giving effect to the conflicts of laws provisions thereof. The construction and interpretation of this Agreement shall not be strictly construed against the drafter.

SECTION XVIII ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and

judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys' fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVIII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVIII shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties shall keep confidential, and shall not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XIX SURVIVAL

Sections VI, VII, VIII, IX, X, XI, XVI, XVII, XVIII and XX shall continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XX SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CUC INTERNATIONAL INC.

By: _____
Walter A. Forbes

E. Kirk Shelton

AGREEMENT

This Agreement made effective as of May 15, 1996 by and between CUC International Inc. (the "Company"), a Delaware corporation, and Christopher K. McLeod ("Executive").

WHEREAS, the Executive and the Company are parties to a certain Agreement dated February 1, 1987, as amended on November 1, 1991 and February 1, 1996 (the "Agreement"); and

WHEREAS, the Executive and the Company wish to make certain further amendments to the Agreement and to restate the Agreement as so amended in its entirety herein for ease of reference.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I EMPLOYMENT

The Company agrees to employ the Executive and the Executive agrees to be employed by the Company for the Period of Employment as provided in Section III.A below and upon the terms and conditions provided in this Agreement.

SECTION II POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive agrees to serve as Executive Vice President and a Member of the Office of the President of the Company and to be responsible for the typical management responsibilities expected of an officer holding such position, reporting directly to the Chief Executive Officer of the Company.

SECTION III TERMS AND DUTIES

A. Period of Employment

The period of the Executive's employment under this Agreement (the "Period of Employment") will commence as of May 15, 1996 and shall continue until February 1, 2001, subject to extension or termination as provided in this Agreement. On February 1, 2001, and on each February 1 thereafter, the Period of Employment will be automatically extended by twelve additional calendar months unless prior to February 1, 2001 or any subsequent February 1 the Company shall deliver to the Executive, or the Executive shall deliver to the Company, written notice that the Period of Employment will end at the expiration of the then-existing Period of Employment, including any previous extensions thereof, and will not be further extended except by agreement of the Company and the Executive. The Period of Employment shall continue until the expiration of all automatic extensions unless it is terminated as provided in this Agreement.

B. Duties

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote all of his business time, attention and skill exclusively to the business and affairs of the Company and its subsidiaries. The Executive will not engage in any other business activity and will perform faithfully the duties which may be assigned to him from time to time by the Chief Executive Officer of the Company consistent with Section II of this Agreement. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

i. Serving, with the prior approval of the Chief Executive Officer of the Company, as a director or member of a committee or organization involving no actual or potential conflict of interest with the Company;

ii. Delivering lectures and fulfilling speaking engagements;

iii. Engaging in charitable and community activities; and

iv. Investing his personal assets in such form or manner that will not violate this Agreement or require services on the part of the Executive in the operation or affairs of the companies in which those investments are made.

The activities described in clauses i, ii and iii, above will be allowed as long as they do not materially affect or interfere with the performance of the Executive's duties and obligations to the Company.

SECTION IV COMPENSATION AND BENEFITS

A. Compensation

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of the Company or any subsidiary of the Company, the Executive shall be compensated as follows:

i. Base Salary

The Company shall pay the Executive a fixed base salary ("Base Salary"), subject to annual increases as the Company deems appropriate, in accordance with the Company's customary procedures regarding the salaries of senior officers. Annual increases in Base Salary, once granted, shall not be subject to revocation. Base Salary shall be payable according to the customary payroll practices of the Company but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards.

iii. Long-Term Incentive Awards

The Executive will be eligible for discretionary stock option awards.

B. Additional Benefits

i. In addition, the Executive will be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of the Company generally are eligible under any plan or program now or established later by the Company on the same basis as similarly situated senior executives of the Company. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, in accordance with program provisions. These include any group hospitalization, health, dental care, life or other insurance, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, company auto allowance or auto lease plans, and contingent compensation plans, including capital accumulation programs and stock option plans, which the Company may establish. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans or programs applicable to salaried employees or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives, as the case may be. The Company will furnish to the Executive long-term disability insurance in an amount not less than sixty percent (60%) of Base Salary. The Company will reimburse the Executive for the cost of an annual physical examination of the Executive by a physician selected by the Executive, the results of which will be reported to the Chief Executive Officer. The Company will also furnish to the Executive (or reimburse the Executive for) personal financial, investment or tax advice in an amount not to exceed \$4,500 per year.

ii. The Executive will be entitled to a minimum of four (4) weeks of paid vacation annually.

SECTION V BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive shall comply with such limitations and reporting requirements with respect to expenses as may be established from time to time.

SECTION VI DISABILITY

A. i. If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company or at the option of the Company upon notice of termination to the Executive. "Disabled" means a determination by an independent competent medical authority that the Executive is unable to perform his duties under this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of one hundred and eighty (180) days. Unless otherwise agreed by the Executive and the Company, the independent medical authority shall be selected by the Executive and the Company each selecting a board-certified licensed physician and the two physicians selected designating an independent medical authority, whose determination that the Executive is Disabled shall be binding upon the Company and the Executive. In such event, until the Executive reaches the age of sixty-five (65) (or such earlier date on which he is no longer Disabled), the Company shall continue to pay the Executive sixty percent (60%) of his Base Salary as in effect at the time of the termination minus the amount of any disability payments the Executive may receive under any long-term disability insurance maintained by the Company. 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. No incentive compensation shall be deemed earned within the meaning of this Agreement until the Executive is informed in writing as to the amount of such incentive compensation the Executive is to be awarded as to a particular period.

ii. The Company will also continue the benefits and perquisites described in this Agreement for a period of sixty (60) months subsequent to any such termination.

iii. In the event of any such termination, all unvested stock options held by the Executive shall be deemed fully vested on the date of such termination and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted.

iv. In the event of any such termination, any restrictions on any shares of restricted stock issued to the Executive prior to such termination shall be deemed to lapse fully on the date of such termination.

B. During the period the Executive is receiving payments of either regular compensation or disability insurance described in this Agreement and as long as he is physically and mentally able to do so without undue burden, the Executive will furnish information and assistance to the Company as reasonably requested and from time to time will make himself reasonably available to the Company to undertake assignments consistent with his prior position with the Company and his physical and mental health. During the disability period, the Executive is responsible and reports directly to the Company's Chief Executive Officer. If the Company fails to make a payment or provide a benefit required as part of this Agreement, the Executive's obligation to furnish information and assistance will end.

SECTION VII

DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment shall end and the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid incentive compensation awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, in a lump sum within sixty (60) days after the date of the Executive's death. The Executive's designated beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement. The Company will also continue the benefits and perquisites described in this Agreement for the benefit of Executive's beneficiaries and surviving family for a period of thirty-six (36) months commencing on the Executive's death. Any stock options held by the Executive shall be deemed fully vested on the date of the Executive's death and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted. Any restrictions on any shares of restricted stock held by the Executive at the time of Executive's death shall be deemed to lapse fully on the date of the Executive's death.

SECTION VIII EFFECT OF TERMINATION OF EMPLOYMENT

A. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge (other than as contemplated by Section XI), as defined below, the Company shall pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge in a lump sum an amount equal to three hundred percent (300%) of his Base Salary as in effect at the time of such termination. Earned but unpaid Base Salary and earned but unpaid incentive compensation awards also 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 thirty-six (36) months following such termination. In the event of any such Without Cause Termination or Constructive Discharge, any unvested stock options held by the Executive shall be deemed to vest in full on the date of such termination, notwithstanding anything to the contrary in any applicable stock option agreements. In the event of any such Without Cause Termination or Constructive Discharge, any restrictions on any shares of restricted stock held by the Executive shall be deemed to lapse fully on the date of such termination.

B. If the Executive resigns or the Executive's employment terminates due to a Termination for Cause, 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. In addition, if the Executive resigns, any unvested stock options that would have otherwise vested during the thirty-six (36) months following the date of such resignation shall be deemed to vest in full on the date of such resignation. No other payments will be made or benefits or perquisites provided by the Company.

C. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph A of this Section VIII or Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination, except as expressly provided in this Agreement.

D. For this Agreement, the following terms have the following meanings:

i. "Termination for Cause" means termination of the Executive's employment by the Company upon a good faith determination by the Board of Directors, by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's serious, willful

misconduct with respect to his duties under this Agreement (including but not limited to conviction for a felony or perpetration of a common law fraud) which has resulted or is likely to result in material economic damage to the Company and which, in any such case, is not cured (if such is capable of being cured) within thirty (30) days after written notice thereof to the Executive.

ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill its obligations under this Agreement in any material respect (including without limitation any reduction of the Executive's Base Salary, as the same may be increased during the Period of Employment, or other compensation; or failure to appoint or reappoint the Executive to the office of President and Chief Operating Officer; or other material change by the Company in the functions, duties or responsibilities of the Executive's position which would reduce the ranking or level, dignity, responsibility, importance or scope of such position; or any relocation of the Executive outside of the Stamford, Connecticut area). The Executive will provide the Company a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within ninety (90) days after the event giving rise to the notice. The Company will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "terminated Without Cause" means termination of the Executive's employment by the Company other than due to death, disability, or Termination for Cause. Without limiting the generality of the foregoing, the Executive shall be deemed to have been terminated Without Cause if the Company provides notice to the Executive pursuant to Section III A. of this Agreement that the Period of Employment will end at the expiration of the then-existing Period of Employment.

SECTION IX

OTHER DUTIES OF THE EXECUTIVE DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal action in which the Company or any of its affiliates is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of the Company or any of its affiliates ("Information") is confidential and is a unique and valuable asset of the Company or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than the Company or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of the Company or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of the Company or its affiliates.

C. i. During the Period of Employment and for a twelve (12) month period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with the Company or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to the Company or any of its affiliates.

ii. During the Restricted Period, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of the Company or any of its affiliates or in any way injuring the interests of the Company or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board of Directors of the Company, will not engage in, or directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes in any way or manner with the business of the Company or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that the Company's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the world.

iii. During the Restricted Period, the Executive, without express prior written approval from the Board of Directors, will not solicit any members or the then-current clients of the Company or any of its affiliates for any existing business of the Company or any of its affiliates or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

iv. During the Restricted Period, the Executive will not meddle with the employees or affairs of the Company or any of its affiliates or solicit or induce any person who is an employee of the Company or any of its affiliates to terminate any relationship such person may have with the Company or any of its affiliates, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

v. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" shall include without limitation all subsidiaries and licensees of the Company.

vi. The Company's obligation to make any payments under the terms of this Agreement will cease upon any violation of the preceding paragraphs.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

E. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive

relief.

F. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

SECTION X INDEMNIFICATION; LITIGATION

A. The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or the certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being a director or officer of the Company.

B. In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all costs and expenses related to the litigation or proceeding, including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

SECTION XI CHANGE IN CONTROL

A. In the event there is a Change in Control, as defined below, the Executive may at any time immediately resign upon written notice to the Company. In the event of such resignation, or if the Executive is terminated Without Cause following a Change in Control, the Company shall immediately upon such resignation or termination pay to the Executive in a lump sum an amount equal to five hundred percent (500%) of the sum of his Base Salary as in effect at the time of such resignation, plus the largest annual incentive award paid to the Executive within the previous three (3) year period. In addition, earned but unpaid Base Salary and any earned but unpaid incentive compensation awards will be paid to the Executive in a lump sum at such time. The benefits and perquisites described in this Agreement will also be continued for three (3) years from the date of such resignation or termination Without Cause pursuant to a Change in Control. In the event there is a Change in Control, 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 resigns. In the event there is a Change in Control, all restrictions on any shares of restricted stock held by the Executive shall be deemed to lapse fully immediately upon such Change in Control, whether or not the Executive resigns. The Executive shall not be entitled to receive any duplicative payments as a result of the implementation of the provisions of this Section XI.

B. The Executive shall not be required to mitigate the amount of any payment provided for after a Change in Control 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.

C. A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of fifty-one percent (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 seventy-five percent (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 of the Company, (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 twenty-five percent (25%) 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.

D. i. In the event that any payment or benefit received or to be received by the Executive pursuant to the terms of this Agreement (the "Contract Payments") or of any other plan, arrangement or agreement of the Company or any affiliate ("Other Payments" and, together with the Contract Payments, the "Payments") would, in the opinion of independent tax counsel selected by the Company and reasonably acceptable to the Executive ("Tax Counsel"), be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (in whole or in part), as determined as provided below, the Payments shall be reduced (but not below zero) until no portion of the Payments would be subject to the Excise Tax. For purposes of this limitation, (a) no portion of the Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (b) only the portion of the Payments which in the opinion of Tax Counsel constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code shall be taken into account, (c) the Payments shall be reduced only to the extent necessary so that the Payments would not be subject to the Excise Tax, in the opinion of Tax Counsel, and (d) the value of any noncash benefit or any deferred payment or benefit included in such Payments shall be determined by the Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. If any reduction in Payments is necessary to satisfy this Paragraph, the Executive shall be entitled, at any time by written notice to the Company, to reduce the amount of any Payment otherwise payable to him (including, without limitation, by waiving, in whole or in part, the accelerated vesting under this Agreement on options previously granted the Executive), and to select from among the Payments those to be so reduced in order to satisfy the limitations of this Paragraph and the Company shall reduce the amount of such Payments accordingly. Any options the vesting of which would have otherwise accelerated but for the provisions of this Paragraph shall continue to vest in accordance with their respective terms; and shall upon such vesting 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.

ii. If it is established pursuant to an opinion of Tax Counsel or a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Paragraph D., any Payments paid to the Executive or for his benefit exceeded the limitation contained in this Paragraph D., then the Executive shall pay to the Company, within sixty (60) days of receipt of notice of such final determination or opinion, an amount equal to the sum of (a) the excess of the Payments paid to him or for his benefit over the maximum Payments that should have been paid to or for his benefit taking into account the limitations contained in this Paragraph D. and (b) interest on the amount set forth in clause (a) of this sentence at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of his receipt of

such excess until the date of such payment; provided, however, that (x) he shall not be required to make any payment to the Company pursuant to this Paragraph D.ii., (1) if such final determination requires the payment by him of an Excise Tax by reason of any Payment or portion thereof or (2) in the case of the opinion of Tax Counsel, until the expiration of the application statute of limitations or a final determination of a court or an Internal Revenue Service proceeding that no Excise Tax is due and (y) he shall only be required to make a payment to the Company pursuant to this Paragraph D.ii. to the extent such payment is deductible (or excludable from income) for federal income tax purposes.

iii. If it is established pursuant to an opinion of Tax Counsel or a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of Paragraph D.i. hereof, any Payments paid to him or for his benefit were in an amount less than the maximum Payments which could be payable to him without such payments being subject to the Excise Tax, then the Company shall pay to him, within ninety (90) days of receipt of notice of such final determination or opinion, an amount equal to the sum of (a) the excess, if any, of the payments that should have been paid to him or for his benefit over the payments paid to or for his benefit and (b) interest on the amount set forth in clause (a) of this sentence at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of his non-receipt of such excess until the date of such payment.

iv. The Company shall pay the Contract Payments at such times as set forth in the applicable paragraph hereof; provided, however, that if the Company in good faith believes that any such payments shall be reduced under the provisions of Paragraph D.i. hereof, the Company shall pay to the Executive at such time a good faith estimate of the reduced payments, the computation of which shall be given to him in writing together with a written explanation of the basis for making such adjustment. The Company shall, within thirty (30) days of the otherwise applicable payment date, either (a) pay to the Executive the balance of the payments together with interest thereon at the applicable federal rate (as defined in Section 1274(d) of the Code) or (b) deliver to him a copy of the opinion of Tax Counsel referred to in Paragraph D.i. hereof, as applicable, establishing the amount of the reduced payments, along with the excess, if any, of the reduced payments over the estimate previously paid on account thereof, together with interest thereon at the applicable federal rate (as defined in Section 1274(d) of the Code).

SECTION XII WITHHOLDING TAXES

The Company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

SECTION XIII EFFECT OF PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter hereof and supersedes any prior employment agreement between the Company and the Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement.

SECTION XIV CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of the Company hereunder. Upon such a consolidation, merger or sale of assets the term "the

Company" will mean the other corporation and this Agreement shall continue in full force and effect.

SECTION XV MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVI LIFE INSURANCE POLICIES

A. The Executive owns insurance policies nos. 3023130, 2995020, and 2960304 with Guardian Life Insurance Company of America ("Guardian"), policies nos. 1046439, 1208351 and 1074717 with Security Mutual Life Insurance Company of New York ("Security") and policy no. 2636033 with Canada Life ("Canada") (the Guardian, Security and Canada policies are referred to herein as the "Policies"). The Policies provide a death benefit equal to the cash surrender value of the Policies. The Executive has the right to name a beneficiary for all of the death benefits, subject to the rights of the Company under the Prior Life Insurance Agreements described below in Paragraph F. of this Section XVI. As part of the compensation paid by the Company to the Executive pursuant to this Agreement, the Company has advanced certain premium payments on the Policies through the date hereof.

B. In consideration of the services performed by the Executive pursuant to this Agreement, the Company agrees to advance annual premium payments for the Policies, in the aggregate, in the amount of approximately \$265,000 or such other annual amount as may be agreed to in writing between the Company and the Executive per year (the "Required Premiums") through the calendar year in which the Executive attains age sixty (60) regardless of whether the Executive is employed by the Company at the time the premiums are paid; provided, however, that the Required Premiums made by the Company shall cease in the event the Executive breaches any of the Covenants contained in Section IX hereof (the "Covenants").

C. In consideration of the Required Premiums to be advanced annually by the Company pursuant to this Section XVI, whether or not the Executive is employed by the Company pursuant to this Agreement, the Executive agrees not to breach the Covenants.

D. In further consideration of the premiums to be advanced annually by the Company, the Executive further agrees that between the date hereof and until the date the Executive attains age sixty (60), the Executive may not withdraw any amount (either as a Policy loan or a withdrawal of cash surrender value) from the Policies.

E. The Policies have been transferred by the Executive to the escrow agent agreed to by the Executive and the Company (the "Escrow Agent") pursuant to the escrow agreement dated as of February 1, 1996 between the Company, the Executive and the Escrow Agent annexed hereto as Exhibit A (the "Escrow Agreement"). In the event the Executive violates the Covenants prior to the Executive attaining age sixty (60), the Executive shall forfeit any interest in the Policies, and the Escrow Agent shall transfer the Policies to the Company, subject to the provisions of the Escrow Agreement. The Executive has executed an assignment agreement ("Assignment Agreement"), annexed hereto as Exhibit B, to reflect the obligation of the Executive to transfer the Policies to the Company in such event, and the Assignment Agreement shall be held in escrow by the Escrow Agent. Upon the Executive having attained age sixty (60) without having violated any of the Covenants, the Escrow Agent shall return the Policies to the Executive, and the Executive shall hold all right, title and interest in and to the Policies, without regard to the terms of the Covenants, but subject to the New Collateral Assignments described in Paragraph F of this Section XVI below.

F. Pursuant to collateral assignment agreements dated December 13, 1988 and August 13, 1991, the Executive has assigned to the Company an interest in the Policies issued by Security (other than policy no. 1208351) equal to the premiums advanced by the Company. Pursuant to collateral assignment agreements dated June 2, 1988, the Executive has assigned to the Company an interest in the Policies issued by Guardian equal to the premiums advanced by the Company. These agreements are referred to herein collectively as the "Prior Life Insurance Agreements." New collateral assignments have been entered into between Guardian, Security and Canada (respectively), the Company and the Executive, copies of which are annexed hereto as Exhibit C ("New Collateral Assignments"). Each provides that the Company shall have an interest in such respective Policies equal to the premiums advanced by the Company. The New Collateral Assignments shall supersede the Prior Life Insurance Agreements.

G. During the term of this Agreement and further provided that the Executive does not breach the terms of the Covenants before his attainment of age sixty (60), in the event that the Company fails to make Required Premium payments for the Policies for any calendar year by December 31st of such year (the "Default Date"), the Company's right under any or all of the New Collateral Assignments to be repaid from the cash surrender value of the Policies, in respect of the premiums advanced by the Company to the Executive, shall be reduced by the shortfall (unless otherwise subsequently advanced by the Company) with interest at the rate of seven percent (7%) per annum (without regard to which Policy there is a failure to pay). Such interest shall be calculated from the Default Date to the earlier of the (a) date the Company advances Required Premiums with respect which there is a shortfall and certifies to the Executive that such payment is being made to make up for the shortfall, or (b) date of withdrawal of premiums advanced by the Company pursuant to the New Collateral Assignment. For purposes of the preceding sentence, the Executive may request a reduction from any Policy of the premiums to be repaid to the Company pursuant to the New Collateral Assignments.

H. In the event the Executive breaches any of the Covenants after attaining age sixty (60), the Company may seek an injunction in a court of competent jurisdiction barring the Executive from breaching such Covenants.

SECTION XVII GOVERNING LAW; CONSTRUCTION

This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state without giving effect to the conflicts of laws provisions thereof. The construction and interpretation of this Agreement shall not be strictly construed against the drafter.

SECTION XVIII ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys' fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVIII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVIII shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties shall keep confidential, and shall not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XIX SURVIVAL

Sections VI, VII, VIII, IX, X, XI, XVI, XVII, XVIII and XX shall continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XX SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CUC INTERNATIONAL INC.

By: _____
Walter A. Forbes

Christopher K. McLeod

RESTATED EMPLOYMENT AGREEMENT

OF
WALTER A. FORBES

This amended and restated employment agreement ("Agreement") made effective as of May 15, 1996 by and between CUC International Inc., a Delaware corporation (the "Company") and Walter A. Forbes (the "Executive").

In consideration of the mutual covenants contained in this Agreement, the parties hereby agree as follows:

SECTION I
EMPLOYMENT

The Company agrees to employ the Executive and the Executive agrees to be employed by the Company, for the Period of Employment as provided in Section III A. below and upon the other terms and conditions provided in this Agreement.

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment the Executive agrees to serve as the Company's Chief Executive Officer and to be responsible for the general management of the affairs of the Company, reporting only to the Board of Directors of the Company and as a member of the Board of Directors of the Company for the period for which he is and shall from time to time be elected. During the Period of Employment, the Executive also agrees to serve, if elected, as an Officer and Director of any subsidiary or affiliate of the Company. The Company will undertake to elect the Executive to its Board of Directors.

SECTION III
TERMS AND DUTIES

A. Period of Employment

The period of the Executive's employment under this Agreement (the "Period of Employment") shall continue through December 31, 2001, subject to extension or termination as provided in this Agreement. On January 1, 1997, and on each January 1 thereafter, the Period of Employment will be automatically extended by twelve additional calendar months unless prior to January 1, 1997, or any subsequent January 1, the Company shall deliver to the Executive, or the Executive shall deliver to the Company, written notice that the Period of Employment will end at the expiration of the then-existing Period of Employment, including any previous extensions, and will not be further extended except by agreement of the Company and the Executive. The Period of Employment shall continue until the expiration of all automatic extensions unless it is terminated as provided in this Agreement.

B. Duties

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote all of his business time, attention and skill exclusively to the business and affairs of the Company and its subsidiaries. The Executive will not engage in any other business activity, and will perform faithfully the duties which may be assigned to him from time to time by the Board of Directors of the Company. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

- i. Serving, with the prior approval of the Board of Directors of the Company, as a director or member of a committee or organization involving no actual or potential conflict of interest with the Company;
 - ii. Delivering lectures and fulfilling speaking engagements;
 - iii. Engaging in charitable and community activities;
- and
- iv. Investing his personal assets in such form or manner that will not violate this Agreement or require services on the part of the Executive in the operation or affairs of the companies in which those investments are made.

The foregoing activities will be allowed as long as they do not materially affect or interfere with the performance of the Executive's duties and obligations to the Company.

SECTION IV
COMPENSATION

For all services rendered by the Executive in any capacity during the Period of Employment, including services as an executive officer, director or committee member of the Company

or any subsidiary of the Company, the Executive shall be compensated as follows:

A. Base Salary

The Company shall pay the Executive a fixed base salary ("Base Salary") as determined by the Company's Board of Directors, subject to annual increases as the Board of Directors of the Company or a committee assigned by the Board deems appropriate in accordance with the Company's customary procedures regarding the salaries of senior officers. Annual increases in Base Salary once granted shall not be subject to revocation. Base Salary shall be payable according to the customary payroll practices of the Company but in no event less frequently than twice each month.

B. Annual Incentive Awards

The Company will pay the Executive annual incentive compensation awards, if any, as may be granted by the Board or a committee assigned by the Board of Directors to the Executive under an annual incentive program. The annual incentive program will be adopted by the Board or by a committee assigned by the Board. The Board or committee will establish appropriate criteria for the granting of such awards at the beginning of each calendar year based on the financial and strategic results achieved that year.

C. Long-Term Incentive Awards

Subject to any approval or ratification by shareholders as required the Company will grant the Executive Incentive Stock Options and Non-Qualified Stock Options at fair market value from time to time based on the financial and strategic results achieved each year, and at a competitive level based on the then current Base Salary of the Executive. These options will be a combination of Incentive Stock Options and Non-Qualified Stock Options, the combination determined by the Board and subject to any maximum restrictions determined by existing tax legislation at that time.

D. Additional Benefits

In addition, the Executive will be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which any salaried employees are eligible under any plan or program now or later established by the Company for salaried employees. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs in accordance with program provisions. These include group hospitalization, health, dental care, life or other insurance, tax qualified pension, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, vacation, travel or accident insurance, disability insurance, and contingent compensation plans, including capital accumulation programs, and stock option plans which the Company may establish. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans or programs applicable to salaried or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives, as the case may be.

Specifically, the Company shall furnish the Executive, without cost to the Executive, group term and supplemental term life insurance for the benefit of the Executive's beneficiary in the combined amount of at least \$2,500,000, coverage under the Company's group hospitalization, health and dental care insurance plans, supplemental medical reimbursement plan, coverage for expenses incurred by the Executive or his dependents who are covered under the Company's group hospitalization, health and dental insurance plans which are not covered by other Company plans and which do not exceed \$10,000 per year, and long-term disability insurance for the benefit of the Executive in an amount no less than sixty percent (60%) of base salary. The Executive will be entitled to a minimum of four (4) weeks vacation annually.

E. Perquisites

The Company will reimburse the Executive for the cost of an annual physical examination of the Executive by a physician selected by the Executive, the results of which will be reported to the Chairman of the Compensation Committee of the Board of Directors. The Company will also furnish to the Executive (or reimburse the Executive for) personal financial, investment or tax advice in an amount not to exceed \$15,000 per year.

The Company shall pay directly (or reimburse the Executive for) \$15,000 per year of dues incurred by the Executive with respect to clubs used primarily for business purposes. Executive shall provide whatever information the Company might

request to ensure that such payment (or reimbursement) is tax deductible for the Corporation.

F. Life Insurance Policies

i. The Executive owns insurance policies nos.

2913144, 3023808, and 3001153 with Guardian Life Insurance Company of America ("Guardian"), policies nos. 1046438 and 1071502 with Security Mutual Life Insurance Company of New York ("Security") and policy 2633-125 with Canada Life (the Guardian, Security and Canada Life policies are referred to herein as the "Policies"). The Policies provide a death benefit equal to the cash surrender value of the Policies. The Executive has the right to name a beneficiary for all of the death benefits, subject to the rights of the Company under the Prior Life Insurance Agreements described below in subparagraph vi. As part of the compensation paid by the Company to the Executive pursuant to this Section IV, the Company has advanced certain premium payments on the Old Policies.

ii. In consideration of the services performed by the Executive pursuant to this Agreement, the Company agrees to advance annual premium payments for the Policies, in the aggregate, in the amount of approximately \$540,000 or such other annual amount as may be agreed to in writing between the Company and the Executive per year (the "Required Premiums") through the calendar year in which the Executive attains age sixty-one (61) regardless of whether the Executive is employed by the Company at the time the premiums are paid; provided, however, that the Required Premiums made by the Company shall cease in the event the Executive breaches the "Covenant Not To Compete" annexed hereto as Exhibit A and described in subparagraph iii. below. All references in such Exhibit A to "Effective Date" shall refer to June 1, 1994.

iii. In consideration of the Required Premiums to be advanced annually by the Company pursuant to this Section IV F., whether or not the Executive is employed by the Company pursuant to this Agreement, the Executive agrees not to compete with the Company pursuant to the terms of the "Covenant Not To Compete" annexed hereto as Exhibit A.

iv. In further consideration of the premiums to be advanced annually by the Company, the Executive further agrees that pursuant to the terms of this Paragraph F., until the date the Executive attains age sixty (60), the Executive may not withdraw any amount (either as a Policy loan or a withdrawal of cash surrender value) from the Policies.

v. The Policies have been transferred by the Executive to the escrow agent agreed to by the Executive and the Company (the "Escrow Agent") pursuant to the escrow agreement between the Company, the Executive and the Escrow Agent annexed hereto as Exhibit B (the "Escrow Agreement"). In the event the Executive violates the terms of the Covenant Not To Compete prior to the Executive attaining age sixty (60), the Executive shall forfeit any interest in the Policies, and the Escrow Agent shall transfer the Policies to the Company, subject to the provisions of the Escrow Agreement and the provisions of subparagraph viii. below. The Executive has executed an assignment agreement ("Assignment Agreement"), annexed hereto as Exhibit C, to reflect the obligation of the Executive to transfer the Policies to the Company in such event, and the Assignment Agreement shall be held in escrow by the Escrow Agent. Upon the Executive having attained age sixty (60) without having violated the terms of the Covenant Not To Compete, the Escrow Agent shall return the Policies to the Executive, and the Executive shall hold all right, title and interest in and to the Policies, without regard to the terms of the Covenant Not To Compete, but subject to the New Collateral Assignments described in subparagraph vi. below.

vi. Pursuant to collateral assignment agreements dated December 12, 1988 and March 18, 1991, the Executive has assigned to the Company an interest in the Policies issued by Security equal to the premiums advanced by the Company. Pursuant to collateral assignment agreements dated June 2, 1988, the Executive has assigned to the Company an interest in the Policies issued by Guardian equal to the premiums advanced by the Company. These agreements are referred to herein collectively as the "Prior Life Insurance Agreements." New collateral assignments have been entered into between Guardian, Security and Canada Life (respectively), the Company and the Executive, copies of which are annexed hereto as Exhibit D ("New Collateral Assignments"). Each provides that the Company shall have an interest in such respective Policies equal to the premiums advanced by the Company. The New Collateral Assignments shall supersede the Prior Life Insurance

Agreements.

vii. During the term of this Agreement and further provided that the Executive does not breach the terms of the Covenant Not To Compete before his attainment of age sixty (60), in the event that the Company fails to make Required Premium payments for the Policies for any calendar year by December 31st of such year (the "Default Date"), the Company's right under any or all of the New Collateral Assignments to be repaid from the cash surrender value of the Policies, in respect of the premiums advanced by the Company to the Executive, shall be reduced by the shortfall (unless otherwise subsequently advanced by the Company) with interest at the rate of seven percent (7%) per annum (without regard to which Policy there is a failure to pay). Such interest shall be calculated from the Default Date to the earlier of the (a) date the Company advances Required Premiums with respect which there is a shortfall and certifies to the Executive that such payment is being made to make up for the shortfall, or (b) date of withdrawal of premiums advanced by the Company pursuant to the New Collateral Assignment. For purposes of the preceding sentence, the Executive may request a reduction from any Policy of the premiums to be repaid to the Company pursuant to the New Collateral Assignments.

viii. Any such disputes regarding (a) the interpretation and application of this Paragraph F., (b) the Policies and (c) the documents set forth in Exhibits A, B, C and D to this Agreement, except that the Covenant Not To Compete as set forth in Exhibit A shall be included for purposes of this subparagraph viii. only until the Executive attains age sixty (60), which cannot be settled amicably within thirty (30) days after written notice by one party to the other of a dispute (or after such longer period agreed to in writing by the parties), shall thereafter be determined by arbitration in Stamford, Connecticut under the rules of the American Arbitration Association and shall be the sole remedy for any disputes arising under this Paragraph F. Judgment on the award rendered in such arbitration may be entered in any court of competent jurisdiction. If there is a dispute relating to any matter under this Paragraph F. which would go to arbitration any action to be taken by a party hereto or the Escrow Agent shall be deferred until the final determination of the arbitration proceedings.

ix. In the event the Executive breaches the Covenant Not To Compete after attaining age sixty (60), the Company may seek an injunction in a court of competent jurisdiction barring the Executive from breaching the Covenant Not To Compete.

SECTION V

BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel, entertainment, business and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement.

SECTION VI

DISABILITY

A. In the event of disability of the Executive during the Period of Employment, the Company will continue to pay the Executive according to the compensation provisions of this Agreement during the period of his disability. However, in the event the Executive is disabled for a continuous period of six months or more, the Company may terminate the employment of the Executive and make payments to the Executive under Section VIII D. of this Agreement.

B. During the period the Executive is receiving payments of either regular compensation or disability insurance described in this Agreement, and as long as he is physically and mentally able to do so, the Executive will furnish information and assistance to the Company to undertake assignments consistent with his prior position with the Company and his physical and mental health. During the disability period, the Executive is responsible and reports directly to the Board of Directors. If the Company fails to make a payment or provide a benefit required as part of this Agreement, the Executive's obligation to furnish information and assistance will end.

C. The term "disability" will have the same meaning as under the disability insurance provided pursuant to this Agreement.

SECTION VII

DEATH

In the event of the death of the Executive during the Period of Employment, the Company's obligation to make payments under this Agreement shall cease as of the date of death, except as provided in Section VIII D. of this Agreement. The Executive's designated beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement.

SECTION VIII

EFFECT OF TERMINATION OF EMPLOYMENT

A. If the Executive's employment terminates due to a Termination for Cause, earned but unpaid Base Salary will be paid on a lump sum basis for the year in which the termination occurs. Earned but unpaid incentive awards for any prior years shall be payable in full, but no other payments will be made or benefits provided by the Company.

B. Upon termination of the Executive's employment (other than for reasons due to death, disability, retirement or pursuant to Paragraph D. of this section or Section XII), the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination, except as expressly provided in this Agreement.

C. For this Agreement the following terms have the following meanings:

i. "Termination for Cause" means termination of the Executive's employment by the Company by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's serious, willful misconduct with respect to his duties under this Agreement (including but not limited to conviction for a felony or perpetration of a common law fraud) which has resulted or is likely to result in material economic damage to the Company and which is not cured (if such breach is capable of being cured) within thirty (30) days after written notice thereof to the Executive.

ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill any of its obligations under this Agreement in any material respect including any reduction of the Executive's Base Salary or failure to appoint or reappoint the Executive to the office of Chief Executive Officer or Board of Directors or other material change by the Company in the functions, duties or responsibilities of the position which would reduce the ranking or level, responsibility, importance or scope of the position. This would also include any assignment or reassignment by the Company of the Executive to a place of employment other than the Company's present headquarters or another location in the New York Metropolitan Area. The Executive will provide the Company with a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within ninety (90) days after the event giving rise to the notice. The Company will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "terminated Without Cause" means termination of the Executive's employment by the Company other than due to death, disability or expiration of the Period of Employment or Termination for Cause.

D. In the event (i) the Executive's employment with the Company terminates for any reason (including, without limitation, disability, death, resignation, retirement, Without Cause Termination or Constructive Discharge) other than Termination for Cause and other than as a result of a Change of Control (as defined in Section XII), (ii) in the case of the Executive's proposed resignation or retirement (each, a "voluntary termination") the Executive gives the Company no less than six (6) months prior written notice of such proposed voluntary termination of employment, and (iii) the Executive at the time of any voluntary termination under (i) is over the age of 55, the Company shall pay to the Executive or the Executive (or his estate in the event of his death) shall be entitled to, in lieu of any other payment or entitlement under the prior provisions of this Section VIII, the following described in (x), (y) and (z), below, as applicable:

(x) In the event of voluntary termination of employment

a) \$2,500,000 if termination occurs at or after age 55 and before age 56;

b) \$5,000,000 if termination occurs at or after age 56 and before age 57;

- c) \$7,500,000 if termination occurs at or after age 57 and before age 58; or
- d) \$10,000,000 if termination occurs at or after age 58.

The payments referred to in (x) shall be made in ten (10) equal, consecutive, pro rata installments, commencing no later than thirty (30) days after the effective date of such voluntary termination of employment and on each anniversary thereof, together with interest on the unpaid principal balance of such payments, based upon a 360 day year of twelve 30 day months at a rate of seven percent (7%) per annum; provided, however, that all such payments shall become immediately due and payable in the event of any Change of Control (as defined in Section XII). Interest payments shall be made on each such anniversary date until the principal amount of such payments shall be paid in full. If any such anniversary is not a business day, such installment shall be paid on the business day next following such anniversary. For purposes of this Agreement, "business day" means any day on which commercial banks are authorized to be open in New York City for the transaction of business. Nothing in this section shall entitle Executive to any of the payments or entitlements payable under Section XII of this Agreement.

(y) In the event of termination of employment under (i) other than voluntary termination, the amount of \$10,000,000.

(z) a) all earned but unpaid Base Salary and Incentive Compensation Awards on a pro rata basis for the year in which such termination occurs,

b) any stock options granted to the Executive prior to such termination shall become fully vested upon such termination,

c) any restrictions on any shares of Restricted Stock issued to the Executive prior to such termination shall lapse upon such termination,

d) the Company shall immediately contribute to the Escrow Agent (or another escrow agent mutually acceptable to the parties hereto), in a lump sum, all the Required Premiums that would thereafter be payable under Section IV F.ii., as if the Executive's employment continued through the calendar year in which the Executive would have attained age sixty-one (61), which Required Premiums shall be held pursuant to an escrow agreement mutually acceptable to the parties hereto, with all interest and/or dividends thereon to be paid periodically to the Company, and

e) the welfare benefits otherwise provided to the Executive under Section IV D., including without limitation group hospitalization, health, dental care, life insurance and disability insurance shall be continued for a period of five years following such termination of employment for the benefit of the Executive and, to the extent applicable, the Executive's spouse.

SECTION IX

OTHER DUTIES OF THE EXECUTIVE DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will with reasonable notice during or after the Period of Employment furnish information as may be in his possession and cooperate with the Company as may reasonably be requested in connection with any claims or legal actions in which the Company is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to the affairs, business, clients, customers or other relationships of the Company is confidential and is a unique and valuable asset of the Company. Access to and knowledge of this information are essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or after, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation or governmental agency any information concerning the affairs, business, clients, customers or other relationships of the Company except as required by law. The Executive will not make use of this type of information for his own purposes or for the benefit of any person or organization other than the Company. The Executive will also use his best efforts to prevent the disclosure of this information by others. All records, memoranda, etc. relating to the business of the Company whether made by the Executive or otherwise coming into his possession are confidential and will remain the property of the Company.

C. During the Period of Employment and upon a Termination for Cause, for a 12-month period thereafter the Executive will not use his status with the Company to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to the Company. During such period, the Executive will not make any statements or perform any acts intended to advance the interest of any existing or prospective competitors of the Company in any way that will injure the interest of the Company. During such period, the Executive without express prior written approval from the Board of Directors will not solicit any members of the thencurrent clients of the Company or discuss with any employee of the Company information or operation of any business intended to compete with the Company. The Company's obligation to make payments under the terms of this Agreement will cease upon any violation of the preceding paragraphs.

The parties desire that the provisions of Section IX are enforced to the fullest extent permissible under the laws and public policies applied in the jurisdictions in which enforcement is sought. If any portion of Section IX is judged to be invalid or unenforceable, Section IX will be amended to conform to the legal changes so that the remainder of this Agreement remains in effect.

SECTION X RETIREMENT

The Executive may elect with no less than six (6) months written advance notice to the Company to retire under this Agreement. In the event of retirement, the Period of Employment shall cease as of the retirement date (except as provided in Section VIII D. of this Agreement).

SECTION XI INDEMNIFICATION, LITIGATION

A. The Company will indemnify the Executive to the fullest extent permitted by the laws of the Company's state of incorporation in effect at that time, or certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being a director or officer of the Company.

B. In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, and the enforcement of the rights under this Agreement, the Company shall reimburse the Executive for all costs and expenses related to the litigation or proceeding including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

SECTION XII EFFECTS OF CHANGE OF CONTROL

A. In the event there is a Change of Control (as defined below) of the ownership of the Company, the Executive may, at any time, immediately resign upon written notice to the Company. Within thirty (30) days of any such termination of employment, the Company shall pay to the Executive, or to his estate in the event of death, the sum of \$10,000,000. In addition, there shall be paid to the Executive or he (or his estate, in the event of his death) shall be entitled to:

i. all earned but unpaid Base Salary and Incentive Compensation Awards on a pro rata basis for the year in which such termination occurs,

ii. the Company shall immediately contribute to the Escrow Agent (or another escrow agent mutually acceptable to the parties hereto), in a lump sum, all the Required Premiums that would thereafter be payable under Section IV F.ii. as if the Executive's employment continued through the calendar year in which the Executive would have attained age sixty-one (61), which Required Premiums shall be held pursuant to an escrow agreement mutually acceptable to the parties hereto, with all interest and/or dividends thereon to be paid periodically to the Company, and

iii. welfare benefits otherwise provided to the Executive under Section IV D., including without limitation, group hospitalization, health, dental care, life insurance and

disability insurance shall be continued for a period of five (5) years following such termination of employment for the benefit of the Executive and, to the extent applicable, the Executive's spouse,

In the event that there is a Change of Control, whether or not the Executive resigns, any stock options granted to the Executive prior to such Change of Control shall become fully vested upon such Change of Control, and any restrictions on any shares of Restricted Stock issued to the Executive prior to such Change of Control shall lapse upon such Change of Control. The foregoing payments and entitlements under this Section XII shall be in lieu of any entitlements or amounts otherwise payable under Section VIII of this Agreement.

B. i. In the event that any payment or benefit received or to be received by the Executive pursuant to the terms of this Agreement (the "Contract Payments") or of any other plan, arrangement or agreement of the Company or any affiliate ("Other Payments" and, together with the Contract Payments, the "Payments") would, in the opinion of independent tax counsel selected by the Company and reasonably acceptable to the Executive ("Tax Counsel"), be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (in whole or in part), as determined as provided below, the Payments shall be reduced (but not below zero) until no portion of the Payments would be subject to the Excise Tax. For purposes of this limitation, (a) no portion of the Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (b) only the portion of the Payments which in the opinion of Tax Counsel constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code shall be taken into account, (c) the Payments shall be reduced only to the extent necessary so that the Payments would not be subject to the Excise Tax, in the opinion of Tax Counsel, and (d) the value of any noncash benefit or any deferred payment or benefit included in such Payments shall be determined by the Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. If any reduction in Payments is necessary to satisfy this Paragraph, the Executive shall be entitled, at any time by written notice to the Company, to reduce the amount of any Payment otherwise payable to him (including, without limitation by waiving, in whole or in part, the accelerated vesting under this Agreement of options previously granted Executive), and to select from among the Payments those to be so reduced in order to satisfy the limitations of this Paragraph, and the Company shall reduce the amount of such Payments accordingly. Any options the vesting of which would have otherwise accelerated but for the provisions of this Paragraph shall continue to vest in accordance with their respective terms, and shall, upon such vesting, 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.

ii. If it is established pursuant to an opinion of Tax Counsel or a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Paragraph B., any Payments paid to the Executive or for his benefit exceeded the limitation contained in Paragraph B. hereof, then the Executive shall pay to the Company, within 60 days of receipt of notice of such final determination or opinion, an amount equal to the sum of (a) the excess of the Payments paid to him or for his benefit over the maximum Payments that should have been paid to or for his benefit taking into account the limitations contained in this Paragraph B. and (b) interest on the amount set forth in clause (a) of this sentence at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of his receipt of such excess until the date of such payment; provided, however, that (x) he shall not be required to make any payment to the Company pursuant to this Paragraph B.ii., (1) if such final determination requires the payment by him of an Excise Tax by reason of any Payment or portion thereof or (2) in the case of the opinion of Tax Counsel, until the expiration of the application statute of limitations or a final determination of a court or an Internal Revenue Service proceeding that no Excise Tax is due and (y) he shall only be required to make a payment to the Company pursuant to this Paragraph B.ii. to the extent such payment is deductible (or excludable from income) for federal income tax purposes.

iii. If it is established pursuant to an opinion of Tax Counsel or a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of Paragraph B.i. hereof, any Payments paid to him or for his benefit were in an amount less than the maximum Payments which could be payable to him without such payments being subject to the Excise Tax, then the Company shall pay to him, within ninety days of receipt of notice of such final determination or opinion, an amount equal to the sum of (a) the excess, if any, of the payments that should have been paid to him or for his benefit over the payments paid to or for his benefit and (b) interest on the amount set forth in clause (a) of this sentence at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of his non-receipt of such excess until the date of such payment.

iv. The Company shall pay the Contract Payments at such times as set forth in the applicable paragraph hereof; provided, however, that if the Company in good faith believes that any such payments shall be reduced under the provisions of Paragraph B.i. hereof, the Company shall pay to the Executive at such time a good faith estimate of the reduced payments, the computation of which shall be given to him in writing together with a written explanation of the basis for making such adjustment. The Company shall, within thirty days of the otherwise applicable payment date, either (a) pay to the Executive the balance of the payments together with interest thereon at the applicable federal rate (as defined in Section 1274(d) of the Code) or (b) deliver to him a copy of the opinion of Tax Counsel referred to in Paragraph B.i. hereof, as applicable, establishing the amount of the reduced payments, along with the excess, if any, of the reduced payments over the estimate previously paid on account thereof, together with interest thereon at the applicable federal rate (as defined in Section 1274(d) of the Code).

C. A "Change Of 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 of the Company, (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 25% 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 of 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 13d3(d)(I)(i) (as in effect on the date hereof) pursuant to the Securities Exchange Act of 1934, as amended.

SECTION XIII WITHHOLDING TAXES

The Company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

SECTION XIV EFFECT OF PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter hereof and supersedes any prior employment agreement between the Company and the Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement.

SECTION XV CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or

substantially all of its assets to another corporation which assumes this Agreement and all obligations and undertakings of the Company hereunder. Upon such a consolidation, merger or sale of assets the term "the Company" as used herein will mean the other corporation and this Agreement shall continue in full force and effect.

SECTION XVI
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVII
GOVERNING LAW

This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the laws of that state.

SECTION XVIII
SURVIVAL

Sections IV, V, VI, VII, VIII, IX, X, XI, XII, XV and XVII shall continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Period of Employment.

In Witness Whereof, the undersigned have caused the foregoing agreement to be executed as of the date first above written.

CUC International Inc.

By:

E. Kirk Shelton
President

Walter A. Forbes

AGREEMENT

This Agreement made effective as of July 24, 1996 by and between CUC International Inc. (the "Company"), a Delaware corporation, and Robert M. Davidson ("Executive").

The Executive is willing to serve in the employ of the Company on a full-time basis upon such other terms and conditions as provided in this Agreement.

In consideration of the mutual covenants contained in this Agreement, the parties hereby agree as follows:

I EMPLOYMENT

The Company agrees to employ the Executive and the Executive agrees to be employed by the Company for the Period of Employment as provided in Section III.A below and upon the terms and conditions provided in this Agreement.

II POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive agrees to serve as a Vice Chairman (upon election to the Board of Directors) of the Company, as a director and the Chief Executive Officer of the Company's Davidson & Associates, Inc. subsidiary ("Subsidiary") and as a director, Chairman and Chief Executive Officer of the Company's educational and entertainment software division, regardless of the corporate form in which it may be operated (including CUC Software Services, Inc.). The Executive shall be responsible for overall management of Subsidiary and the Company's educational and entertainment software division, subject to the reasonable directives of senior management and the Board of Directors of the Company. The Executive shall report to the President of the Company. For purposes of this Agreement, "senior management" of the Company shall mean only the Chairman and Chief Executive Officer of the Company, the President of the Company and Chris McLeod, an Executive Vice President of the Company.

III TERMS AND DUTIES

A. Period of Employment

The period of the Executive's employment under this Agreement (the "Period of Employment") will commence as of July 24, 1996 and shall continue for a period of thirty-six (36) full calendar months through July 24, 1999, subject to extension or termination as provided in this Agreement. The period of the Executive's employment may be extended upon the mutual agreement of the Company and the Executive.

B. Duties

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote all of his business time, attention and skill exclusively to the business and affairs of the Company and its subsidiaries. The Executive will not engage in any other business activity and will perform faithfully and competently the duties which may be assigned to him from time to time by the Company. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

i. Serving, with prior approval of the President or Chief Executive Officer of the Company, as a director or member of a committee or organization involving no actual or potential conflict of interest with the Company;

ii. Delivering lectures and fulfilling speaking engagements;

iii. Engaging in charitable and community activities;
and

iv. Investing his personal assets in business in such form or manner that will not violate this Agreement or

require services on the part of the Executive in the operation or affairs of the companies in which those investments are made. These activities will be allowed as long as they do not materially affect or interfere with the performance of the Executive's duties and obligations to the Company.

IV COMPENSATION

A. Compensation

For all services rendered by the Executive in any capacity during the Period of Employment, including services as an executive, officer, director or committee member of the Company or any subsidiary, the Executive shall be compensated as follows:

i. Base Salary

The Company shall pay the Executive a fixed base salary of \$333,000.00 per annum ("Base Salary"), subject to annual increases as the Company deems appropriate, in accordance with the Company's customary procedures regarding the salaries of senior officers. Annual increases in Base Salary, once granted, shall not be subject to revocation. Base Salary shall be payable according to the customary payroll practices of the Company but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards.

B. Additional Benefits

i. In addition, the Executive will be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of the Company generally are eligible for under any plan or program now or established later by the Company for salaried employees generally. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, in accordance with program provisions. These include any group hospitalization, health, dental care, life or other insurance, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, and contingent compensation plans, including capital accumulation programs and stock option plans, which the Company may establish. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans or programs applicable to salaried employees or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives, as the case may be.

ii. The Executive will be entitled to a minimum of four (4) weeks of paid vacation annually.

V BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive shall comply with such limitations and reporting requirements with respect to expenses as may be established from time to time.

VI DISABILITY

A. i. If the Executive becomes Disabled during the Period of Employment the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company or the Company upon notice of termination to the Executive. "Disabled" means a determination by independent competent medical authority that the Executive is unable to perform his duties under this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of one hundred and eighty (180) days. Unless otherwise agreed by the Executive and the

Company's Board of Directors, the independent medical authority shall be selected by the Executive and the Company each selecting a board-certified licensed physician and the two physicians selected designating an independent medical authority, whose determination that the Executive is Disabled shall be binding upon the Company and the Executive. In such event, the Company shall continue to pay the Executive until two (2) years after the date on which the Period of Employment otherwise would have expired, had the Executive not so resigned or his employment not been so terminated, sixty percent (60%) of his Base Salary as in effect at the time of the termination, minus the amount of any disability payments the Executive may receive under any long-term disability insurance maintained by the Company. 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.

i. The Company will also continue the benefits and perquisites described in this Agreement for a period of twelve (12) months subsequent to any such termination.

ii. In the event of any such termination, all unvested stock options held by the Executive shall be deemed fully vested on the date of such termination and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted.

B. During the period the Executive is receiving payments of either regular compensation or disability insurance described in this Agreement and as long as he is physically and mentally able to do so, the Executive will furnish information and assistance to the Company and from time to time will make himself available to the Company to undertake assignments consistent with his prior position with the Company and his physical and mental health. If the Company fails to make a payment or provide a benefit required as part of the Agreement, the Executive's obligation to furnish information and assistance will end.

VII DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment shall end and the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid incentive compensation awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, in a lump sum within sixty (60) days after the date of the Executive's death. The Executive's designated beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement. The Company will also continue the benefits and perquisites described in this Agreement for a period of twelve (12) months commencing on the Executive's death.

VIII TERMINATION; EFFECT OF TERMINATION OF EMPLOYMENT

A. The Executive's employment may at any time be terminated by the Company without Cause or for Cause.

B. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge (other than as contemplated by Section XI), 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 the remainder of the thirty-six (36) month term of this Agreement. 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 the remainder of the thirty-six (36) month term of this Agreement. 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 twelve (12) 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.

C. If the Executive resigns 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.

D. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph B of this Section or Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination, except as expressly provided in this Agreement.

E. For this Agreement, the following terms have the following meanings:

i. "Termination for Cause" or "terminated for Cause" means termination of the Executive's employment by the Company upon a good faith determination by the Board of Directors by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's material breach of any of his duties or covenants under this Agreement or his serious, willful misconduct with respect to the Company or any of its affiliates (including but not limited to conviction for a felony or perpetration of a common law fraud which has resulted or is likely to result in material economic damage to the Company) which, in any such case, if curable, is not cured within thirty (30) days after written notice thereof to the Executive.

ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill any of its material obligations under this Agreement in any material respect (including without limitation any reduction of the Executive's Base Salary as the same may be increased during the Employment Term (other than reductions applicable to all senior executives of the Company) or other material change by the Company in the functions, duties or responsibilities of the Executive's position); or any relocation of the Executive outside of the Los Angeles area. The Executive will provide the Company a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within ninety (90) days after the event giving rise to the notice. The Company will have sixty (60) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "terminated Without Cause" means termination of the Executive's employment by the Company other than due to death, disability, expiration of the Period of Employment or Termination for Cause.

IX

OTHER DUTIES OF THE EXECUTIVE

DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will with reasonable notice during or after the Period of Employment furnish information as may be in his possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal action in which the Company or any of its affiliates is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of the Company or any of its affiliates ("Information") is confidential and is a unique and valuable asset of the Company or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation,

or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than the Company or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others.

C. During and after the Period of Employment, the Executive will disclose to the Company all ideas, inventions and business plans developed by him during the Period of Employment which relate directly or indirectly to the Company's business or to the business of any of its subsidiaries or affiliates, including but not limited to, any process, operation, product or improvement which may be patentable or copyrightable. The Executive agrees that such will be the property of the Company and that, at the Company's request and cost, he will do whatever is necessary to secure the rights thereto to the Company, by patent, copyright or otherwise. All records, memoranda and similar items relating to the business of the Company or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of the Company or its affiliates.

D. i. During the Period of Employment, irrespective of the cause, manner or time of any termination, the Executive will not use his status with the Company or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to the Company or any of its affiliates.

i. During the Period of Employment, the Executive will not make any statements or perform any acts intended to or which are reasonably likely to have the effect of advancing the interest of any existing or prospective competitors of the Company or any of its affiliates or in any way injuring the interests of the Company or any of its affiliates. During the Period of Employment, the Executive, without prior express written approval by the Board of Directors of the Company, will not engage in competition, or directly or indirectly own or hold proprietary interest in or be employed by or receive compensation from any party which competes, in any way or manner with the business of the Company or any of its affiliates, as such business or businesses may be conducted from time to time. The Executive acknowledges that the Company's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the World.

ii. During the Period of Employment, the Executive, without express prior written approval from the Board of Directors, will not solicit any members or the then current clients of the Company or any of its affiliates for any existing business of the Company or any of its affiliates or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

iii. During the Period of Employment, the Executive will not solicit or induce any person who is an employee of the Company or any of its affiliates to terminate any relationship such person may have with the Company or any of its affiliates, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

iv. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% (or such greater percentage as may be approved by the Company) of any class of equity interest in a publicly held company and the term "affiliate" shall include without limitation all subsidiaries and licensees of the Company.

v. The Company's obligation to make any payments under the terms of this Agreement will cease upon any violation of the preceding paragraphs.

E. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

F. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

G. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

X
INDEMNIFICATION; LITIGATION

A. The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being a director or officer of the Company.

B. In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all costs and expenses related to the litigation or proceeding including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

XI
CHANGE IN CONTROL

A. In the event there is a Change in Control of the ownership of the Company and the Executive's employment is terminated Without Cause or the Executive's employment terminates due to a Constructive Discharge, in either case within two (2) years thereafter, the Company shall pay to the Executive (or his surviving spouse, estate or personal representative, as applicable) his Base Salary as in effect at the time of such termination for a period of two (2) years following such termination. In addition, in such event earned but unpaid Base Salary and any earned but unpaid incentive compensation awards will be paid to the Executive (or his surviving spouse, estate or personal representative, as applicable) in a lump sum at the time of such termination. In such event, any unvested stock options held by the Executive shall continue to vest in accordance with the agreements pursuant to which such options were granted, notwithstanding anything to the contrary in any such stock option agreements. The benefits and perquisites described in this Agreement will also be continued for two (2) years from the effective date of termination or Constructive Discharge, as the case may be, pursuant to a Change of Control as aforesaid.

B. The Executive shall not be required to mitigate the

amount of any payment provided for after a Change in Control 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.

C. A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of 51% or more of the outstanding voting securities of the Company, (ii) the Company shall be merged 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, other than affiliates (within the meaning of the Securities Exchange Act of 1934, as amended) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly-owned subsidiary, (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.

XII
WITHHOLDING TAXES

The Company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

XIII
EFFECT OF PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter hereof and supersedes any prior employment agreement between the Company and the Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement.

XIV
CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of the Company hereunder. Upon such a consolidation, merger or sale of assets, the term "the Company" will mean the other corporation and this Agreement shall continue in full force and effect.

XV
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

XVI
GOVERNING LAW; CONSTRUCTION

This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation,

performance and enforcement shall be governed by the internal laws of that state. The construction and interpretation of this Agreement shall not be strictly construed against the drafter.

XVII
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, or Los Angeles, California, whichever the complaining party may choose, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award.

E. The parties shall keep confidential, and shall not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

XVIII
SURVIVAL

Sections VI, VII, VIII, IX, X, XI, XVI, and XVII shall continue in full force in accordance with their respective terms not withstanding any termination of the Period of Employment.

XIX
SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CUC INTERNATIONAL INC.

By: _____

E. Kirk Shelton
President

Robert M. Davidson

AGREEMENT

This Agreement made effective as of July 24, 1996 by and between CUC International Inc. (the "Company"), a Delaware corporation, and Janice G. Davidson ("Executive").

The Executive is willing to serve in the employ of the Company on a full-time basis upon such other terms and conditions as provided in this Agreement.

In consideration of the mutual covenants contained in this Agreement, the parties hereby agree as follows:

I EMPLOYMENT

The Company agrees to employ the Executive and the Executive agrees to be employed by the Company for the Period of Employment as provided in Section III.A below and upon the terms and conditions provided in the Agreement.

II POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive agrees to serve as a director (upon election to the Board of Directors) of the Company, as a director and the President of the Company's Davidson & Associates, Inc. subsidiary ("Subsidiary") and as a director of the Company's educational and entertainment software division, regardless of the corporate form in which it may be operated (including CUC Software Services, Inc.). The Executive shall report to the Chief Executive Officer of Subsidiary.

III TERMS AND DUTIES

A. Period of Employment

The period of the Executive's employment under this Agreement (the "Period of Employment") will commence as of July 24, 1996 and shall continue for a period of thirty-six (36) full calendar months through July 24, 1999, subject to extension or termination as provided in this Agreement. The period of the Executive's employment may be extended upon the mutual agreement of the Company and the Executive.

B. Duties

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote all of her business time, attention and skill exclusively to the business and affairs of the Company and its subsidiaries. The Executive will not engage in any other business activity and will perform faithfully and competently the duties which may be assigned to her from time to time by the Company. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

i. Serving, with prior approval of the President or Chief Executive Officer of the Company, as a director or member of a committee or organization involving no actual or potential conflict of interest with the Company;

ii. Delivering lectures and fulfilling speaking engagements;

iii. Engaging in charitable and community activities; and

iv. Investing her personal assets in business in such form or manner that will not violate this Agreement or require services on the part of the Executive in the operation or affairs of the companies in which those investments are made. These activities will be allowed as long as they do not materially affect or interfere with the performance of the Executive's duties and obligations to the Company.

IV COMPENSATION

A. Compensation

For all services rendered by the Executive in any capacity during the Period of Employment, including services as an executive, officer, director or committee member of the Company or any subsidiary, the Executive shall be compensated as follows:

i. Base Salary

The Company shall pay the Executive a fixed base salary of \$250,000.00 per annum ("Base Salary"), subject to annual increases as the Company deems appropriate, in accordance with the Company's customary procedures regarding the salaries of senior officers. Annual increases in Base Salary, once granted, shall not be subject to revocation. Base Salary shall be payable according to the customary payroll practices of the Company but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards.

B. Additional Benefits

i. In addition, the Executive will be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of the Company generally are eligible for under any plan or program now or established later by the Company for salaried employees generally. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, in accordance with program provisions. These include any group hospitalization, health, dental care, life or other insurance, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, and contingent compensation plans, including capital accumulation programs and stock option plans, which the Company may establish. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans or programs applicable to salaried employees or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives, as the case may be.

ii. The Executive will be entitled to a minimum of four (4) weeks of paid vacation annually.

V

BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of her duties and obligations under this Agreement. The Executive shall comply with such limitations and reporting requirements with respect to expenses as may be established from time to time.

VI

DISABILITY

A. i. If the Executive becomes Disabled during the Period of Employment the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company or the Company upon notice of termination to the Executive. "Disabled" means a determination by independent competent medical authority that the Executive is unable to perform her duties under this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of one hundred and eighty (180) days. Unless otherwise agreed by the Executive and the Company's Board of Directors, the independent medical authority shall be selected by the Executive and the Company each selecting a board-certified licensed physician and the two physicians selected designating an independent medical authority, whose determination that the Executive is Disabled shall be binding upon the Company and the Executive. In such event, the Company shall continue to pay the Executive until two (2) years after the date on which the Period of Employment otherwise would have expired, had the Executive not so resigned or her employment not been so

terminated, sixty percent (60%) of her Base Salary as in effect at the time of the termination, minus the amount of any disability payments the Executive may receive under any long-term disability insurance maintained by the Company. 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.

i. The Company will also continue the benefits and perquisites described in this Agreement for a period of twelve (12) months subsequent to any such termination.

ii. In the event of any such termination, all unvested stock options held by the Executive shall be deemed fully vested on the date of such termination and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted.

B. During the period the Executive is receiving payments of either regular compensation or disability insurance described in this Agreement and as long as she is physically and mentally able to do so, the Executive will furnish information and assistance to the Company and from time to time will make herself available to the Company to undertake assignments consistent with her prior position with the Company and her physical and mental health. If the Company fails to make a payment or provide a benefit required as part of the Agreement, the Executive's obligation to furnish information and assistance will end.

VII DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment shall end and the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid incentive compensation awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, in a lump sum within sixty (60) days after the date of the Executive's death. The Executive's designated beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement. The Company will also continue the benefits and perquisites described in this Agreement for a period of twelve (12) months commencing on the Executive's death.

VIII TERMINATION; EFFECT OF TERMINATION OF EMPLOYMENT

A. The Executive's employment may at any time be terminated by the Company without Cause or for Cause.

B. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge (other than as contemplated by Section XI), 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 the remainder of the thirty-six (36) month term of this Agreement. 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 the remainder of the thirty-six (36) month term of this Agreement. 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 twelve (12) 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.

C. If the Executive resigns 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.

D. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph B of this Section or Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination, except as expressly provided in this Agreement.

E. For this Agreement, the following terms have the following meanings:

I. "Termination for Cause" or "terminated for Cause" means termination of the Executive's employment by the Company upon a good faith determination by the Board of Directors by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's material breach of any of her duties or covenants under this Agreement or her serious, willful misconduct with respect to the Company or any of its affiliates (including but not limited to conviction for a felony or perpetration of a common law fraud which has resulted or is likely to result in material economic damage to the Company) which, in any such case, if curable, is not cured within thirty (30) days after written notice thereof to the Executive.

ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill any of its material obligations under this Agreement in any material respect (including without limitation any reduction of the Executive's Base Salary as the same may be increased during the Employment Term (other than reductions applicable to all senior executives of the Company) or other material change by the Company in the functions, duties or responsibilities of the Executive's position); or any relocation of the Executive outside of the Los Angeles area. The Executive will provide the Company a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within ninety (90) days after the event giving rise to the notice. The Company will have sixty (60) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "terminated Without Cause" means termination of the Executive's employment by the Company other than due to death, disability, expiration of the Period of Employment or Termination for Cause.

IX
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will with reasonable notice during or after the Period of Employment furnish information as may be in her possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal action in which the Company or any of its affiliates is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of the Company or any of its affiliates ("Information") is confidential and is a unique and valuable asset of the Company or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of her duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for her own purposes or for the benefit of any person or organization other than the Company or any of its affiliates. The Executive will also use her best efforts to prevent the disclosure of this Information by others.

C. During and after the Period of Employment, the Executive will disclose to the Company all ideas, inventions and business plans developed by her during the Period of Employment which relate directly or indirectly to the Company's business or to the business of any of its subsidiaries or affiliates, including but not limited to, any process, operation, product or improvement which may be patentable or copyrightable. The Executive agrees that such will be the property of the Company and that, at the Company's request and cost, she will do whatever is necessary to secure the rights thereto to the Company, by patent, copyright or otherwise. All records, memoranda and similar items relating to the business of the Company or its affiliates, whether made by the Executive or otherwise coming into her possession, are confidential and will remain the property of the Company or its affiliates.

D. i. During the Period of Employment, irrespective of the cause, manner or time of any termination, the Executive will not use her status with the Company or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to her in the absence of her relationship to the Company or any of its affiliates.

I. During the Period of Employment, the Executive will not make any statements or perform any acts intended to or which are reasonably likely to have the effect of advancing the interest of any existing or prospective competitors of the Company or any of its affiliates or in any way injuring the interests of the Company or any of its affiliates. During the Period of Employment, the Executive, without prior express written approval by the Board of Directors of the Company, will not engage in competition, or directly or indirectly own or hold proprietary interest in or be employed by or receive compensation from any party which competes, in any way or manner with the business of the Company or any of its affiliates, as such business or businesses may be conducted from time to time. The Executive acknowledges that the Company's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the World.

ii. During the Period of Employment, the Executive, without express prior written approval from the Board of Directors, will not solicit any members or the then current clients of the Company or any of its affiliates for any existing business of the Company or any of its affiliates or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

iii. During the Period of Employment, the Executive will not solicit or induce any person who is an employee of the Company or any of its affiliates to terminate any relationship such person may have with the Company or any of its affiliates, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

iv. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% (or such greater percentage as may be approved by the Company) of any class of equity interest in a publicly held company and the term "affiliate" shall include without limitation all subsidiaries and licensees of the Company.

v. The Company's obligation to make any payments under the terms of this Agreement will cease upon any violation of the preceding paragraphs.

E. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or

otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

F. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

G. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

X
INDEMNIFICATION; LITIGATION

A. The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which she may be made a party by reason of being a director or officer of the Company.

B. In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all costs and expenses related to the litigation or proceeding including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

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A. In the event there is a Change in Control of the ownership of the Company and the Executive's employment is terminated Without Cause or the Executive's employment terminates due to a Constructive Discharge, in either case within two (2) years thereafter, the Company shall pay to the Executive (or her surviving spouse, estate or personal representative, as applicable) her Base Salary as in effect at the time of such termination for a period of two (2) years following such termination. In addition, in such event earned but unpaid Base Salary and any earned but unpaid incentive compensation awards will be paid to the Executive (or her surviving spouse, estate or personal representative, as applicable) in a lump sum at the time of such termination. In such event, any unvested stock options held by the Executive shall continue to vest in accordance with the agreements pursuant to which such options were granted, notwithstanding anything to the contrary in any such stock option agreements. The benefits and perquisites described in this Agreement will also be continued for two (2) years from the effective date of termination or Constructive Discharge, as the case may be, pursuant to a Change of Control as aforesaid.

B. The Executive shall not be required to mitigate the amount of any payment provided for after a Change in Control 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.

C. A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of 51% or more of the outstanding voting securities of the Company, (ii) the Company shall be merged 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, other than affiliates (within the meaning of the Securities Exchange Act of 1934, as amended) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly-owned subsidiary, (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.

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The Company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

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This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state. The construction and interpretation of this Agreement shall not be strictly construed against the drafter.

XVII
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be

settled by mutual agreement (other than with respect to the matters covered by Section IX for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, or Los Angeles, California, whichever the complaining party may choose, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award.

E. The parties shall keep confidential, and shall not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

XVIII SURVIVAL

Sections VI, VII, VIII, IX, X, XI, XVI, and XVII shall continue in full force in accordance with their respective terms not withstanding any termination of the Period of Employment.

XIX SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CUC INTERNATIONAL INC.

By: _____
E. Kirk Shelton
President

Janice G. Davidson

NONCOMPETITION AGREEMENT

By signing below, I, Robert M. Davidson (sometimes referred to hereinafter as the "Executive"), agree to the terms and conditions set forth in this agreement (the "Agreement") between me and CUC International Inc. (the "Company"). I am entering into this Agreement (a) in connection with, and as additional consideration for, the Company's acquisition, on the date hereof (the "Acquisition"), of all of the outstanding capital stock of Davidson & Associates, Inc. ("Davidson") pursuant to an Agreement and Plan of Merger, dated as of February 19, 1996 (the "Merger Agreement") and (b) in accordance with the terms and conditions of Section 4.17 of the Merger Agreement. Immediately prior to the Acquisition, I was Chairman and Chief Executive Officer of Davidson and beneficially owned 16,000,125 shares of Davidson common stock.

1. Confidentiality. The Executive acknowledges that all secret, non-public, or proprietary information pertaining to the affairs, business, results of operations, accounting methods, practices and procedures, acquisition candidates, financial condition, clients, customers or other relationships of Davidson or any of its subsidiaries (as defined in the Merger Agreement) that he possesses on the date hereof and may come to possess hereafter ("Information") is confidential and is a unique and valuable asset of the Company and its affiliates. The Executive will not, except to the extent reasonably necessary in performance of his duties under his employment agreement with the Company, give any person, firm, association, corporation or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization. The Executive will also use his best efforts to prevent the disclosure of the Information by others.

2. Restricted Activities

(a) For the period commencing on the date hereof and ending on the fifth anniversary of the date hereof (the "Restricted Period"), the Executive, without prior express written approval by the Board of Directors of the Company (the "Board of Directors"), will not engage in competition, or directly or indirectly own or hold a proprietary interest in or be employed by, or consult with or receive compensation from, any party which competes, in any way or manner with the business of Davidson or any of its subsidiaries, as such business or businesses may be conducted from time to time. The Executive acknowledges that Davidson's and its subsidiaries' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the World.

(b) During the Restricted Period, the Executive, without express prior written approval from the Board of Directors, will not solicit any clients of Davidson or any of its subsidiaries for any business of Davidson or any of its subsidiaries or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

(c) During the Restricted Period, the Executive will not solicit or induce any person who is an employee of Davidson or any of its subsidiaries to terminate any relationship such person may have with Davidson or any of its subsidiaries, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

(d) For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or

entity of ownership or more than 5% (or such greater percentage as may be approved by the Company) of any class of equity interest in a publicly-held company and the term "affiliate", when used in respect of the Company, shall include, without limitation, all subsidiaries of the Company, including Davidson and its subsidiaries, and all licensees of the Company.

(e) The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery of hearing in connection with any alleged breach of this Agreement.

(f) The period of time during which the provisions of this Agreement shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

(g) The Executive agrees that the restrictions contained in this Agreement are material to the Company and, but for the Executive's agreement to comply with such restrictions, the Company would not have entered into the Merger Agreement.

3. Governing Law; Construction. This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state. The construction and interpretation of this Agreement shall not be strictly construed against the drafter.

4. Arbitration. (a) Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, or Los Angeles, California, whichever the complaining party may choose, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

(a) The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

(b) Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorney's fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

(c) The parties agree that this Section 4 has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than with respect to matters for which the Company has sought injunctive relief, and post-arbitration actions seeking to enforce an arbitration award.

(d) The parties shall keep confidential, and shall not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

5. Separability. All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

6. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly received if so given) by hand delivery, telegram, telex or telecopy, or by mail (registered or certified mail, postage prepaid, return receipt requested) or by any courier service, such as Federal Express, providing proof of delivery. All communications hereunder shall be delivered to the respective parties at the following addresses:

If to the Executive: Robert M. Davidson
c/o Davidson & Associates, Inc.
19840 Pioneer Avenue
Torrance, California 90503
Telephone: (310) 793-0600
Facsimile: (310) 793-0601

with a copy to: Gibson, Dunn & Crutcher
333 South Grand Avenue
Los Angeles, California
90071-3197
Telephone: (213) 229-7000
Facsimile: (213) 229-7520
Attention: Peter F. Ziegler, Esq.

If to the Company: CUC International Inc.
707 Summer Street
Stamford, Connecticut 06901
Telephone: (203) 324-9261
Facsimile: (203) 348-1982
Attention: Amy N. Lipton, Esq.

with a copy to: Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Attention: Howard Chatzinoff, Esq.

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

7. No Waiver. The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

8. Assignability and Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors. The obligations of the parties hereto may not be delegated, and any attempted delegation shall be null and void and

without effect.

IN WITNESS WHEREOF, the undersigned have
executed this Agreement as of the 24th day of July, 1996.

CUC INTERNATIONAL INC.

By:

Name: E. Kirk Shelton

Title: President

ROBERT M. DAVIDSON

NONCOMPETITION AGREEMENT

By signing below, I, Janice G. Davidson (sometimes referred to hereinafter as the "Executive"), agree to the terms and conditions set forth in this agreement (the "Agreement") between me and CUC International Inc. (the "Company"). I am entering into this Agreement (a) in connection with, and as additional consideration for, the Company's acquisition, on the date hereof (the "Acquisition"), of all of the outstanding capital stock of Davidson & Associates, Inc. ("Davidson") pursuant to an Agreement and Plan of Merger, dated as of February 19, 1996 (the "Merger Agreement") and (b) in accordance with the terms and conditions of Section 4.17 of the Merger Agreement. Immediately prior to the Acquisition, I was President of Davidson and beneficially owned 16,000,325 shares of Davidson common stock.

1. Confidentiality. The Executive acknowledges that all secret, non-public, or proprietary information pertaining to the affairs, business, results of operations, accounting methods, practices and procedures, acquisition candidates, financial condition, clients, customers or other relationships of Davidson or any of its subsidiaries (as defined in the Merger Agreement) that he possesses on the date hereof and may come to possess hereafter ("Information") is confidential and is a unique and valuable asset of the Company and its affiliates. The Executive will not, except to the extent reasonably necessary in performance of his duties under his employment agreement with the Company, give any person, firm, association, corporation or governmental agency any information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization. The Executive will also use his best efforts to prevent the disclosure of the Information by others.

2. Restricted Activities

(a) For the period commencing on the date hereof and ending on the fifth anniversary of the date hereof (the "Restricted Period"), the Executive, without prior express written approval by the Board of Directors of the Company (the "Board of Directors"), will not engage in competition, or directly or indirectly own or hold a proprietary interest in or be employed by, or consult with or receive compensation from, any party which competes, in any way or manner with the business of Davidson or any of its subsidiaries, as such business or businesses may be conducted from time to time. The Executive acknowledges that Davidson's and its subsidiaries' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the World.

(b) During the Restricted Period, the Executive, without express prior written approval from the Board of Directors, will not solicit any clients of Davidson or any of its subsidiaries for any business of Davidson or any of its subsidiaries or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

(c) During the Restricted Period, the Executive will not solicit or induce any person who is an employee of Davidson or any of its subsidiaries to terminate any relationship such person may have with Davidson or any of its subsidiaries, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

(d) For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity of ownership or more than 5% (or such greater percentage as may be approved by the Company) of any class of equity interest in a publicly-held company and the term "affiliate", when used in respect of the Company, shall include, without limitation, all subsidiaries of the Company, including Davidson and its subsidiaries, and all licensees of the Company.

(e) The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery of hearing in connection with any alleged breach of this Agreement.

(f) The period of time during which the provisions of this Agreement shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

(g) The Executive agrees that the restrictions contained in this Agreement are material to the Company and, but for the Executive's agreement to comply with such restrictions, the Company would not have entered into the Merger Agreement.

3. Governing Law; Construction. This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state. The construction and interpretation of this Agreement shall not be strictly construed against the drafter.

4. Arbitration. (a) Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, or Los Angeles, California, whichever the complaining party may choose, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

(a) The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

(b) Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorney's fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and

expenses of its own attorney.

(c) The parties agree that this Section 4 has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than with respect to matters for which the Company has sought injunctive relief, and post-arbitration actions seeking to enforce an arbitration award.

(d) The parties shall keep confidential, and shall not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

5. Separability. All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

6. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly received if so given) by hand delivery, telegram, telex or telecopy, or by mail (registered or certified mail, postage prepaid, return receipt requested) or by any courier service, such as Federal Express, providing proof of delivery. All communications hereunder shall be delivered to the respective parties at the following addresses:

If to the Executive: Janice G. Davidson
c/o Davidson & Associates, Inc.
19840 Pioneer Avenue
Torrance, California 90503
Telephone: (310) 793-0600
Facsimile: (310) 793-0601

with a copy to: Gibson, Dunn & Crutcher
333 South Grand Avenue
Los Angeles, California
90071-3197 Telephone: (213) 229-
7000 Facsimile: (213) 229-7520
Attention: Peter F. Ziegler,
Esq.

If to the Company: CUC International Inc.
707 Summer Street
Stamford, Connecticut 06901
Telephone: (203) 324-9261
Facsimile: (203) 348-1982
Attention: Amy N. Lipton, Esq.

with a copy to: Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Attention: Howard Chatzinoft, Esq.

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

7. No Waiver. The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party

hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

8. Assignability and Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors. The obligations of the parties hereto may not be delegated, and any attempted delegation shall be null and void and without effect.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 24th day of July, 1996.

CUC INTERNATIONAL INC.

By: _____

Name: E. Kirk Shelton

Title: President

JANICE G. DAVIDSON

EMPLOYMENT AGREEMENT

This Agreement made effective as of July 24, 1996 by and between CUC International Inc. (the "Company"), a Delaware corporation, and Kenneth A. Williams ("Executive").

I EMPLOYMENT

The Company agrees to employ the Executive and the Executive agrees to be employed by the Company for the Period of Employment as provided in Section III.A below and upon the terms and conditions provided in the Agreement.

II POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive agrees to serve as a director and the Chief Executive Officer of the Company's Sierra On-Line, Inc. ("Sierra") subsidiary ("Subsidiary"). The Executive shall be responsible for overall management of Subsidiary, subject to the reasonable directives of senior management and the Board of Directors of the Company. During the Period of Employment, the Company shall cause the Executive to be (i) elected to the Board of Directors of the Company and to serve as a Vice Chairman of such Board, (ii) appointed to the Office of the President of the Company, and (iii) elected to the Board of Directors of the Company's CUC Software Services, Inc. subsidiary. The Executive shall report to the President of the Company.

III TERMS AND DUTIES

A. Period of Employment

The period of the Executive's employment under this Agreement (the "Period of Employment") will commence as of July 24, 1996 and shall continue for a period of thirty-six (36) full calendar months through July 24, 1999, subject to extension or termination as provided in this Agreement. The period of the Executive's employment may be extended upon the mutual agreement of the Company and the Executive.

B. Duties

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote substantially all of his business time, attention and skill to the business and affairs of the Company and its subsidiaries. The Executive will not engage in any other business activity that would materially interfere with the performance of the Executive's duties under this Agreement and will perform faithfully and competently the duties which may be assigned to him from time to time by the Company consistent with Section II of this Agreement. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

i. Serving as a director or member of a committee or organization involving no actual or potential conflict of interest with the Company;

ii. Delivering lectures and fulfilling speaking engagements and publishing books and articles;

iii. Engaging in charitable and community activities;
and

iv. Investing his personal assets in such form or manner that will not violate this Agreement or require services on the part of the Executive in the operation or affairs of the companies in which those investments are made (except that the Executive may, subject to clause i. above, serve on the board of directors of such companies).

The activities described in clauses i., ii. and iii. above will be allowed as long as they do not materially interfere with the performance of the Executive's duties and obligations to the Company.

IV
COMPENSATION

A. Compensation

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of the Company or subsidiary of the Company, the Executive shall be compensated as follows:

i. Base Salary

The Company shall pay the Executive a fixed base salary of \$333,000.00 per annum ("Base Salary"), subject to annual increases as the Company deems appropriate, in accordance with the Company's customary procedures regarding the salaries of senior officers. Base Salary shall be payable according to the customary payroll practices of the Company but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards on the same terms as are applicable to the senior executives of the Company. The Executive's target bonus shall not be less than his target bonus at Subsidiary as most recently approved by Subsidiary's board of directors and disclosed to the Company prior to the date of this Agreement.

B. Additional Benefits

i. In addition, the Executive will be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of the Company generally are eligible under any plan or program now or established later by the Company. The Executive will participate on the same basis as similarly situated senior executives of the Company to the extent permissible under the terms and provisions of such plans or programs, in accordance with program provisions. These include any group hospitalization, health, dental care, life or other insurance, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, and contingent compensation plans, including capital accumulation programs and stock option plans, which the Company may establish. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans or programs applicable to salaried employees or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives, as the case may be.

ii. The Executive will be entitled to a minimum of four (4) weeks of paid vacation annually.

V
BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive shall comply with such limitations and reporting requirements with respect to expenses as may be established from time to time and made applicable to similarly situated employees; provided that the Executive may travel first class.

VI
DISABILITY

A. i. If the Executive becomes Disabled during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company or at the option of the Company upon notice of termination to the Executive. "Disabled" means a determination by independent competent medical authority that the Executive is unable to perform his duties under this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of one hundred and eighty (180) days. Unless otherwise agreed by the

Executive and the Company, the independent medical authority shall be selected by the Executive and the Company each selecting a board-certified licensed physician and the two physicians selected designating an independent medical authority, whose determination that the Executive is Disabled shall be binding upon the Company and the Executive. In such event, the Company shall continue to pay the Executive until two (2) years after the date on which the Period of Employment otherwise would have expired, had the Executive not so resigned or his employment not been so terminated, sixty percent (60%) of his Base Salary as in effect at the time of the termination, minus the amount of any disability payments the Executive may receive under any long-term disability insurance maintained by the Company but in no event shall the aggregate payments under this sentence exceed two hundred and fifty thousand dollars per annum. 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.

i. The Company will also continue the benefits and perquisites described in this Agreement for a period of twelve (12) months subsequent to any such termination.

ii. In the event of any such termination, all unvested stock options held by the Executive shall be deemed fully vested on the date of such termination and shall remain fully exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted.

B. During the period the Executive is receiving payments of either regular compensation or disability insurance described in this Agreement and as long as he is physically and mentally able to do so without undue burden, the Executive will furnish information and assistance to the Company as reasonably requested and from time to time will make himself reasonably available to the Company to undertake assignments consistent with his prior position with the Company and his physical and mental health. If the Company fails to make a payment or provide a benefit required as part of the Agreement, the Executive's obligation to furnish information and assistance will end.

VII DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment shall end and the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid incentive compensation awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, in a lump sum within sixty (60) days after the date of the Executive's death. The Executive's designated beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement. The Company will also continue the benefits and perquisites described in this Agreement for a period of twelve (12) months commencing on the Executive's death. Any stock options held by the Executive will vest and become immediately exercisable upon his death, without regard to the provisions of the agreements under which such options were granted.

VIII TERMINATION; EFFECT OF TERMINATION OF EMPLOYMENT

A. The Executive's employment may at any time be terminated by the Company without Cause or for Cause.

B. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge (other than as contemplated by Section XI), 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, all unvested stock options held by the Executive shall immediately vest and become exercisable in full, notwithstanding anything to the contrary in the stock option agreements under which such options were granted.

C. If the Executive resigns 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.

D. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph B of this Section or Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination, except as expressly provided in this Agreement.

E. For this Agreement, the following terms have the following meanings:

i. "Termination for Cause" or "terminated for Cause" means termination of the Executive's employment by the Company by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's material breach of any of his duties or covenants under this Agreement or his serious, willful misconduct with respect to the Company or any of its affiliates (including but not limited to conviction for a felony or perpetration of a common law fraud) which, in any such case, if curable, is not cured within thirty (30) days after written notice thereof to the Executive.

ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill any of its material obligations under this Agreement in any material respect (including without limitation any reduction of the Executive's Base Salary as the same may be increased during the Employment Term (other than reductions applicable to all senior executives of the Company) or other material change by the Company in the functions, duties or responsibilities of the Executive's position which materially diminishes the ranking, scope and importance of the Executive's position); or any relocation of the Executive outside of the Seattle area. Without limiting the generality of the foregoing, "Constructive Discharge" shall not include the consolidation of one or more functions pertaining to Larry's business (other than software design and development) into other Company affiliates. The Executive will provide the Company a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within one hundred twenty (120) days after the event giving rise to the notice. The Company will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "terminated Without Cause" means termination of the Executive's employment by the Company other than due to death, disability, expiration of the Period of Employment or Termination for Cause.

IX
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will with reasonable notice during or after the Period of Employment furnish information as may be in his possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal action in which the Company or any of its affiliates is or may become a party.

B. Simultaneously with the execution and delivery of this Agreement, the Executive and the Company are entering into a Non Competition Agreement. The Executive agrees to comply with the provisions of such agreement during the Period of Employment.

C. During and after the Period of Employment, the

Executive will disclose to the Company all ideas, inventions and business plans developed by him during the Period of Employment which relate directly to the Company's business or to the business of any of its subsidiaries or affiliates, including, but not limited to, any process, operation, product or improvement which may be patentable or copyrightable. The Executive agrees that such will be the property of the Company and that, at the Company's reasonable request and cost, he will do whatever is reasonably necessary to secure the rights thereto to the Company, by patent, copyright or otherwise. All records, memoranda and similar items relating to the business of the Company or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of the Company or its affiliates.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

E. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

F. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

X
INDEMNIFICATION; LITIGATION

A. The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors, including without limitation the insurance policies the Company agreed to maintain pursuant to the Agreement and Plan of Merger dated as of February 19, 1996 among the Company, Sierra and Larry Acquisition Corp. (the "Merger Agreement"), against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being a director or officer of the Company. This Section shall not limit the obligations of the Company under the Merger Agreement with respect to indemnification and insurance.

B. In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all costs and expenses related to the litigation or proceeding including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in whole or in part in favor of the Executive.

XI
CHANGE IN CONTROL

A. In the event there is a Change in Control of the ownership of the Company and the Executive resigns or the Executive's employment is terminated Without Cause or the

Executive's employment terminates due to a Constructive Discharge, in any such case within two (2) years after such Change of Control, the Company shall pay to the Executive (or his surviving spouse, estate or personal representative, as applicable) his Base Salary as in effect at the time of such termination of employment for a period of two (2) years following such termination. In addition, in such event earned but unpaid Base Salary and any earned but unpaid incentive compensation awards will be paid to the Executive (or his surviving spouse, estate or personal representative, as applicable) in a lump sum at the time of such termination. In such event, any unvested stock options held by the Executive shall vest immediately and become exercisable in full, notwithstanding the terms of the stock option agreements under which such options were granted. The benefits and perquisites described in this Agreement will also be continued for two (2) years from the effective date of termination of employment. The Executive shall not be entitled to receive any duplicative payments as a result of the implementation of the provisions of this Section XI.

B. The Executive shall not be required to mitigate the amount of any payment provided for after a Change in Control 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.

C. A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of 51% or more of the outstanding voting securities of the Company, (ii) the Company shall be merged 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, other than affiliates (within the meaning of the Securities Exchange Act of 1934, as amended) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly-owned subsidiary, (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.

XII WITHHOLDING TAXES

The Company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

XIII EFFECT OF PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter hereof and supersedes any prior employment agreement between the Company and the Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement.

XIV CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of

the Company hereunder. Upon such a consolidation, merger or sale of assets, the term "the Company" will mean the other corporation and this Agreement shall continue in full force and effect.

XV
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

XVI
GOVERNING LAW; CONSTRUCTION

This Agreement has been executed and delivered in the State of Connecticut and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state.

XVII
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York or Seattle, Washington, whichever the complaining party chooses, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

XVIII
SURVIVAL

Sections VI, VII, VIII, IX, X, XI, XVI, XVII and XIX shall continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

XIX
SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CUC INTERNATIONAL INC.

By: _____

E. Kirk Shelton
President

Kenneth A. Williams

NONCOMPETITION AGREEMENT

By signing below, I, Kenneth A. Williams (sometimes referred to hereinafter as the "Executive"), agree to the terms and conditions set forth in this agreement (the "Agreement") between me and CUC International Inc. (the "Company"). I am entering into this Agreement (a) in connection with, and as additional consideration for, the Company's acquisition, on the date hereof (the "Acquisition"), of all of the outstanding capital stock of Sierra On-Line, Inc. ("Sierra") pursuant to an Agreement and Plan of Merger, dated as of February 19, 1996, as amended by an Amendment No. 1 thereto, dated as of March 27, 1996 (as amended, the "Merger Agreement") and (b) in accordance with the terms and conditions of Section 4.17 of the Merger Agreement and Section IXB. of the Employment Agreement (as defined therein). Immediately prior to the Acquisition, I was Chairman and Chief Executive Officer of Sierra and beneficially owned 1,803,918 shares of Sierra common stock.

1. Confidentiality. The Executive acknowledges that all secret, non-public, or proprietary information pertaining to the affairs, business, results of operations, accounting methods, practices and procedures, members, acquisition candidates, financial condition, clients, customers or other relationships of the Company or any of its affiliates (including Sierra) that he possesses on the date hereof and may come to possess hereafter ("Information") is confidential and is a unique and valuable asset of the Company or any of its affiliates. The Executive will not, except to the extent reasonably necessary in performance of his duties under his employment agreement with the Company, give any person, firm, association, corporation or governmental agency any Information, except (a) as may be required by law, court order or other legal process, (b) as may be necessary in connection with any dispute between Executive and the Company or any of its affiliates relating to this Agreement or Executive's employment with the Company or any of its affiliates, or (c) Information which has entered the public domain or becomes generally available to the public other than as a result of a disclosure by Executive in contravention of this Agreement. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization. The Executive will also use his best efforts to prevent the disclosure of the Information by others.

2. Restricted Activities

(a) For the period commencing on the date hereof and ending on the third anniversary of the date hereof (the "Initial Restricted Period"), the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of Sierra or any of its subsidiaries or in any way injuring the interests of Sierra or any of its subsidiaries. During the Initial Restricted Period, the Executive, without prior express written approval by the Board of Directors of the Company (the "Board of Directors"), will not engage in competition, or directly or indirectly own or hold a proprietary interest in or be employed by, or consult with or receive compensation from, any party which competes, in any way or manner with the business of Sierra or any of its subsidiaries, as such business or businesses may be conducted from time to time. The Executive acknowledges that Sierra's and its subsidiaries' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence shall operate throughout the United States and the World.

(b) During the period commencing on the date hereof and ending on the later of the fifth anniversary of the date hereof and the expiration or termination of the Period of Employment (as defined in the Employment Agreement) (the "Restricted Period"), the Executive, without express prior written approval from the Board of Directors, will not solicit any clients of the Company or any of its affiliates for any business of the Company or any of its affiliates or discuss with any employee of the Company or any of its affiliates information or operation of any business intended to compete with the Company or any of its affiliates.

(c) During the Restricted Period, the Executive will not solicit or induce any person who is an employee of the Company or any of its affiliates to terminate any relationship such person may have with the Company or any of its affiliates, nor shall the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of the Company or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement which is currently in effect with any employee of the Company or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

(d) Without limiting the provisions of Sections 2(a), (b) and (c) above, during the Restricted Period, Williams shall not own or hold proprietary interest in, manage, be employed by or consult with, operate, join, control or participate in the ownership, management, operation or control of any person or entity that (i) competes, in any way or manner, with Sierra or its subsidiaries in the packaged entertainment or education software business anywhere in the World as such business may be conducted from time to time or (ii) markets or distributes entertainmentrelated software or services on the Internet or any similar computer network.

(e) For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership or more than 5% of any class of equity interest in a publicly-held company and the term "affiliate", when used in respect of the Company, shall include without limitation all subsidiaries of the Company, including Stealth, and all licensees of the Company.

(f) The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company shall be entitled, upon making the required showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Agreement without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction shall be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party shall oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Agreement.

(g) The period of time during which the provisions of this Agreement shall be in effect shall be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

(h) The Executive also agrees to indemnify and hold the Company harmless from and against any and all damages and expenses, including reasonable attorneys' fees and disbursements, resulting from any breach by him of the terms and conditions of this Agreement, which remedy is in addition to any and all other remedies that the Company may possess at law or in equity.

(i) The Executive agrees that the restrictions contained in this Agreement are material to the Company and, but for the Executive's agreement to comply with such restrictions, the Company would not

have entered into the Merger Agreement.

3. Governing Law; Construction. This Agreement has been executed and delivered in the State of Washington and its validity, interpretation, performance and enforcement shall be governed by the internal laws of that state.

4. Arbitration. (a) Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters for which the Company may, but shall not be required to, seek injunctive relief) shall be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved shall deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, or Seattle, Washington, whichever the complaining party may choose, to Jams/Endispute, before a single arbitrator appointed in accordance with the arbitration rules of Jams/Endispute, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

(a) The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

(b) Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorney's fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

(c) The parties agree that this Section 4 has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section shall be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than with respect to matters for which the Company has sought injunctive relief, and post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

5. Separability. All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

6. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly received if so given) by hand delivery, telegram, telex or telecopy, or by mail (registered or certified mail, postage prepaid, return receipt requested) or by any courier service, such as Federal Express, providing proof of delivery. All communications

hereunder shall be delivered to the respective parties at the following addresses:

If to the Executive: Kenneth A. Williams
c/o Sierra On-Line, Inc.
3380 146th Place, S.E., Ste. 300
Bellevue, WA 98007

with a copy to: Perkins Coie
1201 Third Avenue
40th Floor
Seattle, WA 98101-3099
Telephone: (206) 583-8534
Facsimile: (206) 583-8500
Attention: Stephen A. McKeon, Esq.

If to the Company: CUC International Inc.
707 Summer Street
Stamford, CT 06901
Telephone: (203) 924-9261
Facsimile: (203) 977-8501
Attention: Amy N. Lipton, Esq.

with a copy to: Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000 Facsimile:
(212) 310-8007 Attention: Howard
Chatzinoff, Esq.

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

7. No Waiver. The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

8. Assignability and Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors. The obligations of the parties hereto may not be delegated, and any attempted delegation shall be null and void and without effect.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 24th day of July, 1996.

CUC INTERNATIONAL

By:

Name: E. Kirk Shelton
Title: President

Kenneth A. Williams