

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 9, 1996

REGISTRATION NO. 333-13537

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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AMENDMENT NO. 1  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
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CUC INTERNATIONAL INC.  
(Exact Name of Registrant as Specified in its Charter)

DELAWARE  
(State or Other Jurisdiction of Incorporation or Organization)

06-0918165  
(I.R.S. Employer Identification No.)

-----  
707 SUMMER STREET  
STAMFORD, CONNECTICUT 06901  
(203) 324-9261  
(Address, Including Zip Code, and Telephone Number,  
including Area Code, of Registrant's Principal Executive Offices)  
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COSMO CORIGLIANO  
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER  
CUC INTERNATIONAL INC.  
707 SUMMER STREET  
STAMFORD, CONNECTICUT 06901  
(203) 324-9261

AMY N. LIPTON, ESQ.  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL  
CUC INTERNATIONAL INC.  
707 SUMMER STREET  
STAMFORD, CONNECTICUT 06901  
(203) 324-9261

(Name and Address, Including Zip Code,  
and Telephone Number, Including Area Code, of Agents For Service)  
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COPIES TO:

STEPHEN E. JACOBS, ESQ.  
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SULLIVAN & CROMWELL  
125 BROAD STREET  
NEW YORK, NEW YORK 10004  
(212) 558-4000

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE  
PUBLIC: As soon as practicable after this Registration Statement is declared  
effective by order of the Securities and Exchange Commission.

If the only securities being registered on this form are being offered

pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

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

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

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If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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SUBJECT TO COMPLETION DATED OCTOBER 9, 1996

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

16,500,000 SHARES\*  
[LOGO]  
CUC INTERNATIONAL INC.  
COMMON STOCK  
(PAR VALUE \$.01 PER SHARE)  
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Of the 16,500,000 shares of Common Stock being offered, 13,200,000 shares are being offered hereby in the United States and 3,300,000 shares are being offered in a concurrent international offering outside the United States. The public offering price and the aggregate underwriting discount per share will be identical for both offerings. See "Underwriting".

All of the shares of Common Stock offered hereby are being sold by the Selling Stockholders. See "Selling Stockholders". The Company will not receive any of the proceeds from the sale of the shares offered.

The last reported sale price of the Common Stock, which is listed under the symbol "CU", on the New York Stock Exchange, Inc. Composite Tape on October 8, 1996 was \$26.25 per share. See "Price Range of Common Stock and Dividend

Policy".

\* UNLESS OTHERWISE INDICATED, ALL INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN ADJUSTED FOR THE THREE-FOR-TWO SPLIT OF THE COMMON STOCK TO BE EFFECTED ON OCTOBER 21, 1996, AND FURTHER ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTIONS WILL NOT BE EXERCISED.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.  
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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	PUBLIC OFFERING PRICE	UNDERWRITING DISCOUNT (1)	PROCEEDS TO SELLING STOCKHOLDERS (2)
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

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- (1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.
- (2) Before deducting estimated expenses of \$                      payable by the Company and \$                      payable by the Selling Stockholders.
- (3) Certain of the Selling Stockholders have granted to the U.S. Underwriters an option exercisable on or before November 12, 1996 to purchase up to an additional 1,980,000 shares at the public offering price per share, less the underwriting discount, solely to cover over-allotments. Additionally, certain of the Selling Stockholders have granted to the International Underwriters an option exercisable on or before November 12, 1996 to purchase up to an additional 495,000 shares at the public offering price per share, less the underwriting discount, solely to cover over-allotments. If such options are exercised in full, the total initial public offering price, underwriting discount, and proceeds to the Selling Stockholders will be \$                      , \$                      and \$                      respectively. See "Underwriting".
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The shares offered hereby are offered severally by the U.S. Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares will be ready for delivery in New York, New York, on or about October      , 1996, against payment therefor in immediately available funds.

GOLDMAN, SACHS & CO. MORGAN STANLEY & CO.  
INCORPORATED

BEAR, STEARNS & CO. INC.

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

SMITH BARNEY INC.

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THE DATE OF THIS PROSPECTUS IS OCTOBER      , 1996.

AVAILABLE INFORMATION

CUC International Inc. (the "Company" or "CUC") is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the United States Securities and Exchange Commission (the "Commission"). The reports, proxy statements and other information filed by the Company with the Commission may be inspected and copied

at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, 7 World Trade Center, Suite 1300, New York, New York 10048; and Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and at the Commission's Web site at (<http://www.sec.gov>). Copies of such material also may be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, material filed by the Company may be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005, on which the shares of the common stock, par value \$.01 per share, of the Company (the "Common Stock") are listed.

The Prospectus constitutes a part of a Registration Statement on Form S-3 filed by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the Common Stock. Any statements contained herein concerning the provisions of any document are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NYSE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents (and the amendments thereto) filed by the Company (File No. 1-10308) with the Commission pursuant to the Exchange Act are incorporated herein by reference and are made a part hereof:

(i) The Company's Annual Report on Form 10-K for its fiscal year ended January 31, 1996, filed with the Commission on April 26, 1996 (the "CUC 10-K");

(ii) The Company's Quarterly Report on Form 10-Q for its fiscal quarter ended April 30, 1996, filed with the Commission on June 14, 1996;

(iii) The Company's Quarterly Report on Form 10-Q for its fiscal quarter ended July 31, 1996, filed with the Commission on September 16, 1996;

(iv) The Company's Current Reports on Form 8-K, filed with the Commission on February 21, 1996, February 22, 1996, March 12, 1996, April 22, 1996, August 5, 1996, August 14, 1996, September 17, 1996, September 19, 1996, September 26, 1996 and October 7, 1996; and

(v) The description of the Common Stock contained in the Company's Registration Statements on Form 8-A, filed with the Commission on July 27, 1984 and August 15, 1989, including any amendment or report filed for the purposes of updating such description.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date hereof and prior to the termination of the offering made hereby shall be deemed to be incorporated herein by reference and to be a part hereof on and from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or incorporated herein by reference or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of all documents incorporated by reference, other than exhibits to

such documents (unless such exhibits are specifically incorporated by reference into such documents), will be provided without charge to each person, including any beneficial owner, to whom a copy of this Prospectus has been delivered upon the written or oral request of such person. Requests for such copies should be directed to the Company, 707 Summer Street, Stamford, Connecticut 06901, Attention: Secretary, telephone: (203) 324-9261.

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#### THE COMPANY

##### GENERAL

The Company is a leading technology-driven, membership-based consumer services company that provides more than 62.5 million customers worldwide with access to home shopping, travel, insurance, automobile, dining, home improvement, lifestyle club, checking account enhancement and discount coupon programs. Together with leading banks, retailers, oil companies, credit unions, charitable organizations and other institutions, the Company offers significant cost savings and convenience shopping for a wide array of high-quality consumer goods and services.

The Company's goal is to be the leading consumer services content provider as well as to broaden its membership base through untapped distribution channels, global expansion and the interactive marketplace. Management believes that the Company is uniquely positioned to lead in the expanding interactive marketplace by combining its existing direct marketing expertise with exciting new electronic media. The Company recently completed the acquisitions of two interactive media companies: Davidson & Associates, Inc. ("Davidson") and Sierra On-Line, Inc. ("Sierra"). See "--Recent Developments". These acquisitions will enable the Company to offer content in several additional major areas of consumer spending and, more importantly, to enhance its existing product offerings in the electronic marketplace. Management believes the creative development teams of Davidson and Sierra will enable the Company to design an Internet World Wide Web site (or "Web site") that will integrate the Company's current service offerings with creative and attractive entertainment features. The Web site will be an important marketing tool in the Company's effort to maximize consumer use of its interactive services.

**MEMBERSHIP-BASED CONSUMER SERVICES.** The Company's core business is providing consumer services through individual, wholesale and discount program memberships ("memberships"). Individual memberships, whereby members pay directly for services and the Company pays the associated marketing costs, include Shoppers Advantage-Registered Trademark-, Travelers Advantage-Registered Trademark-, AutoVantage-Registered Trademark- and insurance products. Individual membership fees generally range between \$10 and \$250 per year. Wholesale memberships include enhancement packages sold through banks and credit unions, and insurance products sold through credit unions, for which the Company acts as a third-party administrator. The fees for these memberships generally range between \$6 and \$50 per year. Discount Program memberships, which are sold primarily through fundraising institutions, merchant-sponsored or general advertising, include the Entertainment-Registered Trademark- and Gold C-Registered Trademark- coupon book programs. Fees for these memberships generally range from \$10 to \$50 per year.

**DISTRIBUTION CHANNELS.** The Company markets its memberships through a variety of distribution channels. The Company reaches consumers through financial institutions or other organizations (by direct marketing or direct sales force), merchant-sponsored general advertising, and fundraising institutions such as schools and charitable organizations.

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The table below illustrates the Company's principal membership services and the distribution channels through which such services are currently offered:

# CUC'S SERVICES AND DISTRIBUTION CHANNELS

SERVICES	DISTRIBUTION CHANNELS												
	LARGE BANKS	RETAIL	OIL	SMALL BANKS & S&LS	CREDIT UNIONS	AIRLINES & HOTELS	INTER- ACTIVE	CHARITIES/ CLUBS	SCHOOLS	DIRECT	VACATION OWNERS	NEW CHANNELS	NEW HOUSE- HOLDS
Shopping.....	*	*	*	*	*		*	T		T	*		
Dining.....	*	*	*	*	*	*	*				*		T
Auto.....	*	*	*	*	*	*	*			T	T	T	
Travel.....	*	*	*	*	*	*	*			*	*	T	T
Home.....	*	*	*		*								
Health.....	*	T	*										
Privacy.....	*	*	*	*	T								
Lifestyle.....										*			
Entertainment/ Coupons.....	*	*	*	T	*			*	*			T	T
Credit Card Protection....	*	*	*	*									
Enhancements....	*			*	*	*							
Financial Services.....	*			T									
Buyers.....	*	*	*	*									
New Services....	T	T		T	T		T	T	*	*		T	
Interactive Media.....							*	T	*	*			

\* = Currently Available

T = Testing

INTERACTIVE MEDIA. As discussed below under "--Recent Developments", the Company recently completed the acquisitions of Davidson and Sierra.

Davidson and Sierra develop, publish, manufacture and distribute high-quality educational/ entertainment (or "edutainment") and personal productivity (or "how to") interactive multimedia products for home and school use. These products incorporate characters, themes, sound, graphics, music and speech in ways that the Company believes are engaging to the user, and are designed for multimedia PC's, including CD-ROM-based PC systems, and selected emerging platforms. Davidson's and Sierra's products are offered through a variety of distribution channels, including specialty retailers, mass merchandisers, discounters and schools.

## GROWTH STRATEGY

Management anticipates that the Company's continued growth will derive from:

- BUILDING ITS CORE BUSINESS. Management intends to access new distribution channels, develop new services and enhance existing services. For example, the Company recently introduced its "Transfer Plus" program through which its services are cross-marketed to customers of other providers that offer products and services which complement those offered by the Company. Using this new distribution channel, a hotel chain, for example, can "transfer" a customer who has made a hotel reservation by telephone to a marketing representative of the Company who, in turn, markets CUC's discount travel services to that consumer. Examples of new and enhanced services recently introduced by the Company include the Gardening Club (through which con-

sumers gain access to a variety of gardening information and purchasing discounts) and Entertainment Gold (an enhanced version of the Company's traditional Entertainment product).

- ACQUIRING COMPLEMENTARY BUSINESSES. The Company has completed multiple acquisitions in recent years. Management intends to continue to aggressively pursue the Company's expansion through the selective acquisition of complementary businesses. Such acquisitions enable the Company to offer additional services (such as the hunting, fishing, gardening and other lifestyle club memberships offered by North American Outdoor Group, Inc. ("NAOG")) and acquire new distribution channels (such as the "new mover" distribution channel acquired through the Company's acquisitions of Welcome Wagon International, Inc. ("Welcome Wagon") and Getko Group Inc.). More recently, the Company acquired Ideon Group, Inc., which strengthened the Company's existing credit card registration and loss notification services. See "--Recent Developments".
  
- EXPANDING INTERNATIONALLY. The Company plans to continue the rapid expansion of its business outside of the United States. In Europe, for example, five major European banks currently participate in the Company's enhancement business (representing access to more than 15 million consumers) and the Company has continued to develop relationships with other major European financial institutions, and to market additional services to these institutions. The Company is also expanding in Japan and other Asian countries.
  
- DEVELOPING INTERACTIVE MEDIA CHANNELS. Management believes that the ability to deliver its services via interactive multimedia channels (e.g., the Internet, consumer online services, interactive television and other emerging channels) represents a significant opportunity. Members who access the Company's services by interactive media channels renew memberships at higher rates and are less costly to service than those members who access by telephone. Management endeavors to position the Company's services to make them accessible through a wide range of interactive media. Management plans to create a single, all-encompassing Web site that will enable consumers to access the Company's consumer services. Management anticipates that the Davidson and Sierra creative teams will enable the Company to develop a Web site that combines its transaction-based consumer service offerings with the entertainment features necessary to attract consumers.

#### RECENT DEVELOPMENTS

DAVIDSON ACQUISITION. On July 24, 1996, the Company acquired all of the outstanding capital stock of Davidson for a purchase price of approximately \$1.0 billion (the "Davidson Acquisition"). Pursuant to the Davidson Acquisition, approximately 45.1 million shares of Common Stock were issued to the former holders of Davidson common stock, including approximately 32.7 million shares of Common Stock issued to the Selling Stockholders. See "Selling Stockholders". The Davidson Acquisition was accounted for as a pooling-of-interests. See "The Company--Interactive Media".

SIERRA ACQUISITION. In addition, on July 24, 1996, the Company acquired all of the outstanding capital stock of Sierra for a purchase price of approximately \$858.0 million (the "Sierra Acquisition"). Pursuant to the Sierra Acquisition, approximately 38.4 million shares of Common Stock were issued to the former holders of Sierra common stock. The Sierra Acquisition was accounted for as a pooling-of-interests. See "The Company--Interactive Media".

IDEON ACQUISITION. On August 7, 1996, the Company acquired all of the outstanding capital stock of Ideon Group, Inc. ("Ideon") for a purchase price of approximately \$393.0 million (the "Ideon Acquisition"). Pursuant to the Ideon Acquisition, approximately 16.6 million shares of Common Stock were issued to the former holders of Ideon common stock. The Ideon Acquisition was accounted for as a pooling-of-interests. Ideon is a holding company with three principal business units: SafeCard Services, Incorporated ("SafeCard"), Wright Express Corporation ("Wright Express") and National Leisure Group,

Inc. ("NLG"). SafeCard, which is the largest subsidiary of Ideon, is a provider of credit card enhancement and continuity products and services. Wright Express

is a provider of information processing, information management and financial services to commercial car, van and truck fleets in the United States. NLG is a provider of vacation travel packages and cruises directly to consumers in association with established retailers and warehouse clubs throughout New England, New York and New Jersey and with credit card issuers and travel club members nationwide.

The Company's executive offices are located at 707 Summer Street, Stamford, Connecticut 06901, and its telephone number is (203) 324-9261.

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#### CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of July 31, 1996 which has been adjusted to give effect to (i) the Company's three-for-two stock split to be effected on October 21, 1996 for holders of record of Common Stock on October 7, 1996 and (ii) the Ideon Acquisition(A). The Company will not receive any proceeds from the sale of the Common Stock offered hereby.

	ADJUSTED JULY 31, 1996
	-----
	(IN THOUSANDS)
Short-term debt	
Revolving credit facility.....	\$ 31,452
Bank term loans.....	1,382
	-----
Total short-term debt.....	\$ 32,834
	-----
Long-term debt (excluding current installments)	
Bank term loans.....	\$ 4,654
	-----
Total long-term debt.....	4,654
	-----
Convertible debt.....	23,428
	-----
Shareholders' equity	
Common stock--par value \$.01 per share; authorized 600 million shares; issued 397,926,730 shares.....	3,979
Additional paid-in capital.....	552,956
Retained earnings.....	687,058
Treasury stock, at cost, 5,968,642 shares.....	(52,291)
Deferred compensation.....	(30,485)
Unrealized loss on marketable securities.....	(41)
Foreign currency translation.....	(2,678)
	-----
Total shareholders' equity.....	1,158,498
	-----
Total capitalization.....	\$1,186,580
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(A) For a discussion of certain costs and expenses associated with the Ideon Acquisition, see Note (e) to "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources; Inflation; Seasonality".

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#### USE OF PROCEEDS

The Company will not receive any proceeds from the sale of the Common Stock being offered hereby. See "Selling Stockholders".

#### PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

The Company's Common Stock is traded on the NYSE under the symbol "CU". The following table sets forth high and low closing sale prices for the Common Stock as reported on the NYSE Composite Transactions for the periods indicated, adjusted to give effect to the Company's three-for-two stock split to be effected on October 21, 1996 for holders of record of Common Stock on October 7, 1996:



FISCAL YEAR ENDED:	COMMON STOCK PRICE RANGE	
	HIGH	LOW
	----	---
JANUARY 1995		
First Quarter.....	\$14.583	\$12.000
Second Quarter.....	13.583	11.417
Third Quarter.....	15.417	13.583
Fourth Quarter.....	16.083	12.750
JANUARY 1996		
First Quarter.....	18.083	15.417
Second Quarter.....	20.750	16.333
Third Quarter.....	24.250	19.917
Fourth Quarter.....	25.333	20.000

FISCAL YEAR ENDING:	HIGH		LOW	
	----	---	----	---
JANUARY 1997				
First Quarter.....	\$26.083	\$18.667		
Second Quarter.....	26.250	21.250		
Third Quarter (through October 8, 1996).....	27.333	21.917		

The last reported sale price of the Common Stock on the NYSE Composite Tape on October 8, 1996 was \$26.25 per share.

The Company has not paid any dividends with respect to the Common Stock since inception, other than an extraordinary dividend of cash and convertible subordinated debentures distributed to shareholders in connection with a recapitalization of the Company effected in fiscal year 1990.

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## SELECTED FINANCIAL DATA

The following selected financial data are derived from the supplemental consolidated financial statements of the Company and the related notes thereto (the "Supplemental Consolidated Financial Statements") included in the Company's Current Report on Form 8-K filed with the Commission on September 17, 1996 (the "September 17, 1996 Form 8-K"). This data should be read in conjunction with the Consolidated Financial Statements and the Supplemental Consolidated Financial Statements, and the related notes thereto, incorporated herein by reference to the CUC 10-K and to the September 17, 1996 Form 8-K, and Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Prospectus.

	(IN THOUSANDS, EXCEPT FOR PER COMMON SHARE DATA)						
	YEAR ENDED JANUARY 31,					SIX MONTHS ENDED JULY 31,	
	1996 (B)	1995 (L)	1994	1993 (M)	1992	1996	1995
	-----	-----	-----	-----	-----	-----	-----
	(UNAUDITED)						
INCOME STATEMENT DATA (A)							
Total revenues.....	\$1,935,232	\$1,554,611	\$1,278,664	\$1,043,311	\$904,052	\$1,071,223	\$896,707
Income from continuing operations							
before income taxes.....	235,312 (C)	256,931 (F)	198,319	117,434	100,896 (G)	161,341 (E)	60,514 (K)
Income from continuing							
operations.....	144,975 (C)	162,057 (F)	124,705	80,239	70,479 (G)	92,582 (E)	35,936 (K)
Income per common share from							
continuing operations (D).....	\$ .37 (C)	\$ .43 (F)	\$ .34	\$ .24	\$ .24 (G)	\$ .23 (E)	\$ .09 (K)
Cash dividends per common							
share (I).....	\$ .01	\$ .01	\$ .01	\$ .01	\$ .01	\$ .01	\$ .01
	-----	-----	-----	-----	-----	-----	-----
Weighted average number of common and dilutive common equivalent							

shares outstanding(D).....	392,208	379,263	365,915	340,712	288,162	399,267	388,674
	-----	-----	-----	-----	-----	-----	-----
BALANCE SHEET DATA(A)							
Total assets.....	\$2,068,196	\$1,772,122	\$1,199,805	\$1,032,269	\$814,961	\$2,137,452	
Long-term obligations(H).....	6,481	22,872	24,235	30,091	16,336	6,036	
Zero coupon convertible notes....	14,410	15,046	22,176	37,295	69,228	--	
Convertible debt.....	23,389	34,634	--	--	--	23,428	
Stockholders' equity.....	1,002,523(J)	826,083	558,181	389,461	235,675	1,158,498(E)	
Working capital.....	759,271	523,996	298,230	147,475	167,394	868,367	

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- (A) During the six months ended July 31, 1996, the Company acquired Davidson and Sierra, and in August 1996 the Company acquired Ideon. These acquisitions were accounted for in accordance with the pooling-of-interests method. Accordingly, all financial data has been restated for all prior periods to include Davidson, Sierra and Ideon. See "The Company--Recent Developments".
- (B) During the fiscal year ended January 31, 1996, the Company acquired Welcome Wagon, CUC Europe Limited, and Credit Card Sentinel, and Ideon acquired NLG. These acquisitions were accounted for in accordance with the purchase method and, accordingly, have been included in the Company's results of operations from the respective dates of acquisition. The results of operations of these acquired entities for the periods prior to their acquisition were not significant to the historical financial statements of the Company.
- (C) Includes provision for costs incurred in connection with the acquisition of Advance Ross Corporation ("Advance Ross"). The charge aggregated \$5.2 million (\$4.2 million or \$.01 per common share after-tax effect). Also during fiscal 1996, Ideon recorded pre-tax charges of \$43.8 million related to the abandonment of certain new product development efforts and the restructuring of its SafeCard division and its corporate infrastructure.
- (D) Adjusted to give effect to the three-for-two stock split to be effected on October 21, 1996 for holders of record of Common Stock on October 7, 1996.

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- (E) Includes provision for costs incurred in connection with the acquisitions of Davidson and Sierra. The charge aggregated \$28.6 million (\$25.1 million or \$.06 per common share after-tax effect). All costs related to the Ideon Acquisition have not been reflected in the Supplemental Consolidated Financial Statements, but will be reflected in the Company's consolidated statement of income during the period the Ideon Acquisition 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 Supplemental Consolidated Financial Statements as of and for the six months ended July 31, 1996), giving consideration to the Company's intended approach to these matters, which are estimated by Management to approximate \$125.0 million (\$80.0 million after tax effect). See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources; Inflation; Seasonality".
- (F) During fiscal 1995, Ideon recorded a pre-tax charge of \$7.9 million for various severance agreements and a lease termination in connection with a reorganization of its operations and senior management team.
- (G) Includes provision for costs incurred in connection with the integration of the operations of the Company and Entertainment Publishing Corp. (acquired during fiscal 1992 in a transaction accounted for in accordance with the pooling-of-interests method) and costs of professional fees and other expenses related to the merger with Entertainment Publishing Corp. The charge aggregated \$20.7 million (\$15 million or \$.05 per common share after-tax effect). Also includes a gain from the sale of an unconsolidated affiliate of Advance Ross. The gain aggregated \$11.7 million (\$7 million or \$.02 per common share after-tax effect). In addition, includes a pre-tax charge of \$17.5 million in connection with Ideon's relocation of an operations center.
- (H) Includes current portion of long-term debt of \$1.4 million, \$9 million, \$6.3 million, \$3.4 million, \$1.2 million and \$1.4 million at January 31,

1996, 1995, 1994, 1993, 1992 and July 31, 1996, respectively. Excludes \$15.4 million, \$11.8 million, \$5.5 million, \$23.2 million, \$26.7 million and \$31.5 million of amounts due under revolving credit facilities at January 31, 1996, 1995, 1994, 1993, 1992 and July 31, 1996, respectively, and \$6 million due at January 31, 1993 under a note payable issued in connection with the acquisition of Sally Foster Gift Wrap, LP ("Sally Foster").

- (I) Represents cash dividends paid to Ideon common stockholders. No Common Stock cash dividends have been paid or declared during the five years ended January 31, 1996 and the six-month periods ended July 31, 1996 and 1995. However, an insignificant amount of cash dividends were paid in respect of the NAOG common stock for the fiscal years ended January 31, 1994, 1993 and 1992.
- (J) Effective January 1, 1995, Ideon changed its fiscal year end from October 31 to December 31 (the "Ideon Transition Period"). The Ideon Transition Period has been excluded from the accompanying supplemental consolidated statement of income. Ideon's revenues and net loss for the Ideon Transition Period were \$34.7 million and \$(49.9) million, respectively. The net loss for the Ideon Transition Period was principally the result of a \$65.5 million one-time, non-cash, pretax charge recorded in connection with a change in accounting for deferred membership acquisition costs.
- (K) Includes Ideon pre-tax charges of \$34.2 million related to the abandonment of certain new product development efforts and the restructuring of its SafeCard division and its corporate infrastructure. Also includes marketing and operational costs incurred for Ideon products abandoned of \$47 million.
- (L) During the fiscal year ended January 31, 1995, the Company acquired Essex Corporation ("Essex") and subsidiaries and Ideon acquired Wright Express. These acquisitions were accounted for in accordance with the purchase method and, accordingly, have been included in the Company's results of operations from the respective dates of acquisition. The results of operations of these acquired entities for the periods prior to their acquisition were not significant to the historical financial statements of the Company.
- (M) During the fiscal year ended January 31, 1993, the Company acquired Leaguestar plc and Sally Foster. These acquisitions were accounted for in accordance with the purchase method and, accordingly, have been included in the Company's results of operations from the respective dates of acquisition. The results of operations of these acquired entities for the periods prior to their acquisition were not significant to the historical financial statements of the Company.

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

On September 17, 1996, the Company published in the September 17, 1996 Form 8-K the Supplemental Consolidated Financial Statements giving retroactive effect to consummation of each of the Davidson Acquisition, the Sierra Acquisition and the Ideon Acquisition using the pooling-of-interests method of accounting as if each of such acquired corporations and the Company had operated as one since inception. The Supplemental Consolidated Financial Statements will constitute the primary historical consolidated financial statements of the Company upon the publication of Company financial statements, on or about December 15, 1996, that include the respective dates of consummation of the Davidson Acquisition (July 24, 1996), the Sierra Acquisition (July 24, 1996) and the Ideon Acquisition (August 7, 1996).

#### 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 51.2 million members at July 31, 1995 to 62.3 million members at July 31, 1996), which is the largest contributing factor to the 20% increase in membership revenues (from \$786.7 million for the six months ended July 31, 1995 to \$942.2 million for the six months ended July 31, 1996). While the overall membership base increased by approximately 2.7 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 members primarily using direct marketing techniques. Wholesale memberships include members that pay directly for the services to their sponsor and the Company does not pay for the marketing costs to solicit the members. Discount program memberships are generally marketed through a direct sales force, participating 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 9%, 20% and 61%, respectively, including members which came from acquisitions completed during fiscal 1996 (members obtained through acquisitions being hereafter referred to as "Acquired Members"). Discount program memberships have experienced the largest increase from Acquired Members, principally from Advance Ross, 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 68%, 12% and 20%, respectively, of membership revenues. 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, decreased to \$25.7 million from \$41.7 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 strong 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, amortization of restricted stock compensation, costs related to products abandoned and restructuring, gain on sale of and equity in loss from ImagiNation Network, and income taxes

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("EBIT") increased from \$135.9 million to \$185.9 million, and EBIT margins improved from 15.2% to 17.4%.

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 \$277.6 million to \$326.3 million). The major components of the Company's membership operating costs continue to be personnel, telephone, computer processing and participant insurance premiums (the cost of obtaining insurance coverage for members). 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.

Marketing costs remained constant as a percentage of revenue (39%). This is due primarily to maintained per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 18% (from \$263 million to \$310.4 million) as a result of the increased marketing effort which resulted in an increased number of new members acquired. Marketing costs include the amortization of membership acquisition costs and other marketing costs, which consist primarily of membership communications and sales expenses. Amortization of membership acquisition costs increased by 17% (from \$272.4

million to \$319.5 million). Other marketing costs increased by 23% (from \$77.6 million to \$95.2 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 decreased as a percentage of revenue (from 15% to 13%). This is the result of the Company's ongoing ability to control overhead. Interest income, net, decreased from \$5.8 million to \$4.1 million primarily due to cash used to fund acquisitions during fiscal 1996 and the first six months of fiscal 1997.

Included in costs related to products abandoned and restructuring for the six months ended July 31, 1995, are special charges totaling \$34.2 million, related to the abandonment of certain new product developmental efforts and the related impairment of certain assets and the restructuring of the SafeCard division of Ideon and the Ideon corporate infrastructure. The charge of \$34.2 million was composed of accrued liabilities of \$25.6 million and asset impairments of \$8.6 million. Also included in costs related to products abandoned and restructuring are marketing and operational costs of \$47 million incurred for Ideon products abandoned.

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

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#### MEMBERSHIP INFORMATION

The following table 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.....	62,315,000	2,665,000
Year Ended January 31, 1996.....	59,650,000	12,750,000*
Six Months Ended July 31, 1995.....	51,165,000	4,265,000**
Year Ended January 31, 1995.....	46,900,000	3,820,000
Quarter Ended July 31, 1996.....	62,315,000	1,440,000
Quarter Ended July 31, 1995.....	51,165,000	1,290,000

\* Includes approximately 8,000,000 Acquired Members.

\*\* Includes approximately 2,100,000 Acquired Members.

The membership acquisition costs incurred to obtain 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 to obtain 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 is party to 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 expire on March 26, 2001.

In February 1996, Wright Express entered into a revolving credit facility agreement which has an available line of \$75 million of which \$50 million may be used to finance working capital requirements and for general corporate purposes and \$25 million of which may be used for acquisition financing. This facility expires on December 1, 1998.

In fiscal 1996, Sierra entered into an unsecured bank line of credit that provides for borrowings of up to \$10 million, expiring on August 31, 1996. The line contains covenants requiring Sierra to maintain certain financial ratios and minimum balances of 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.

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All costs related to the Ideon Acquisition have not been reflected in the Company's Supplemental Consolidated Financial Statements but will be reflected in the Company's consolidated statement of income during the period the Ideon Acquisition 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 Supplemental Consolidated Financial Statements as of and for the six months ended July 31, 1996), 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 Company invested approximately \$33 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 borrowings under 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 \$24 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 a particular 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 due primarily 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.

YEAR ENDED JANUARY 31, 1996 VS. YEAR ENDED JANUARY 31, 1995

The Company's overall membership base continues to grow at a rapid rate (from 47 million members at January 31, 1995 to 59.7 million members at January 31, 1996), which is the largest

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contributing factor to the 20% increase in membership revenues (from \$1,363.6 million in fiscal 1995 to \$1,629.8 million in fiscal 1996). While the overall membership base increased by 12.7 million members, or 27%, during the year (of which approximately 8 million members came from acquisitions completed during the year), the average annual fee charged for the Company's membership services increased by 3%.

In the 1996 fiscal year, individual, wholesale and discount program memberships grew by 8%, 19% and 11%, respectively, in addition to the increase due to Acquired Members. For the year ended January 31, 1996, individual, wholesale and discount program memberships represented 68%, 12% and 20% of membership revenues, respectively. Discount program memberships have incurred the largest increase from Acquired Members. Welcome Wagon, the Getko Group Inc. and Advance Ross, all acquired in fiscal 1996, are classified in this membership category as their businesses provide local discounts to consumers. The Company maintains a flexible marketing plan so that it is not dependent on any one service for the future growth of the total membership base. The Company completed a number of acquisitions accounted for under the purchase method of accounting during fiscal 1996. The total revenues contributed by these acquisitions are not material to the Company's total reported revenues (see Note B to the Supplemental Consolidated Financial Statements as of and for the year ended January 31, 1996).

Software revenues increased 60% to \$305.4 million in fiscal 1996 from \$191.1 million in fiscal 1995. Contributing to the strong software growth in fiscal 1996 was the release of 63 new titles and an additional 18 titles which were acquired compared to 34 new products released in fiscal 1995. Also contributing to the software revenue growth is the significant increase in the installed base of CD-ROM personal computers as well as increases in affiliated label and distribution revenues.

As the Company's membership services continue to mature, a greater percentage of the total individual membership base is in its renewal years. This results in increased profit margins for the Company due to the significant decrease in certain marketing costs incurred on renewing members. Improved response rates for new members also favorably impact profit margins. As a result, EBIT increased from \$239.1 million to \$322.7 million and EBIT margins improved from 15.4% to 16.7%.

Individual membership usage continues to increase, which contributes to additional service fees and indirectly contributes to the Company's strong

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

Operating costs increased 25% (from \$474.1 million to \$593.5 million). The major components of the Company's membership operating costs continue to be personnel, telephone, computer processing and participant insurance premiums (the cost of obtaining insurance coverage for members). 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.

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Marketing costs decreased as a percentage of revenues, from 40% to 38%. This decrease is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 19% (from \$508.8 million to \$605.1 million) as a result of the increased marketing effort which resulted in an increased number of new members acquired. Marketing costs include the amortization of membership acquisition costs and other marketing costs, which primarily consist of membership communications and sales expenses. Amortization of membership acquisition costs increased by 19% (from \$467 million to \$556.5 million). Other marketing costs increased by 20% (from \$151.3 million to \$180.9 million). This increase resulted primarily from the costs of servicing a larger membership base and expenses incurred when selling and marketing a larger number of software titles. The marketing functions for the Company's membership services are combined for its various services and, accordingly, there are no significant changes in marketing costs by membership service.

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

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

Included in costs related to products abandoned and restructuring for the year ended January 31, 1996, are special charges totaling \$43.8 million, net of recoveries, related to the abandonment of certain new product developmental efforts and the related impairment of certain assets and the restructuring of the SafeCard division of Ideon and the Ideon corporate infrastructure. The original charge of \$45 million was composed of accrued liabilities of \$36.2 million and asset impairments of \$8.8 million. Also included in costs related to products abandoned and restructuring are marketing and operational costs incurred for Ideon products abandoned of \$53.2 million.

YEAR ENDED JANUARY 31, 1995 VS. YEAR ENDED JANUARY 31, 1994

The Company's overall membership base continues to grow at a rapid rate (from 42.9 million members at January 31, 1994 to 47 million members at January 31, 1995), which is the largest contributing factor to the 19% increase in membership revenues (from \$1,143.2 million in fiscal 1994 to \$1,363.6 million in fiscal 1995). While the overall membership base increased by 4.1 million members before adjustment for Acquired Members resulting from the fiscal 1996 pooling-of-interests transactions, or 10%, during the past year, the average annual fee charged for the Company's membership services increased by 3%. The Company divides its memberships into three categories: individual, wholesale and



discount program memberships. All of these categories share various aspects of the Company's marketing and operating resources. In the 1995 fiscal year, individual, wholesale and discount program memberships grew by 11%, 6% and 11%, respectively. For the year ended January 31, 1995, individual, wholesale and discount program memberships represented 70%, 11% and 19% of membership revenues, respectively. The Company maintains a flexible marketing plan so that it is not dependent on any one service for the future growth of the total membership base. The Company completed an acquisition of Essex, a privately owned third-party marketer of financial products for banks, and certain other entities, during fiscal 1995. The total revenues contributed by this acquisition are not material to the Company's total reported revenues. This acquisition was accounted for in accordance with the purchase method of accounting and, accordingly, the results of operations have been included in the consolidated results of operations from the date of acquisition (see Note B to the Supplemental Consolidated Financial Statements as of and for the year ended January 31, 1996).

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Software revenues increased 41% to \$191.1 million in fiscal 1995 from \$135.5 million in fiscal 1994. Contributing to the strong software growth in fiscal 1995 was the release of 34 new titles. Also contributing to the software growth was the expansion in the installed base of personal computers as well as an increase in affiliated label revenues.

As the Company's membership services continue to mature, a greater percentage of the total individual membership base is in its renewal years. This results in increased profit margins for the Company due to the significant decrease in certain marketing costs incurred on renewing members. As a result, EBIT increased from \$200.2 million to \$239.1 million, however EBIT margins decreased slightly from 15.7% to 15.4%, due principally to increased software research and development.

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. Actual membership cancellations were \$354 million, \$319 million and \$292 million, respectively, for the fiscal years ended January 31, 1995, 1994 and 1993. This represents approximately 21%, 22% and 24% of the gross membership revenues accrued for all services. The Company records its deferred revenue net of estimated cancellations which are anticipated in the Company's marketing programs. The number of cancellations has increased due to the increased level of marketing efforts, but has decreased as a percentage of the total number of members.

Operating costs increased 29% (from \$368.8 million to \$474.1 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.

Marketing costs remained constant as a percentage of revenue (40%). This is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 11% (from \$457.3 million to \$508.8 million). 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 14% (from \$409.5 million to \$467 million). Other marketing costs increased by 44% (from \$105.1 million to \$151.3 million). This increase resulted primarily from the costs of servicing a larger membership base, costs to establish the American Airlines AAdvantage Dining program and expenses incurred when selling and marketing a larger number of software titles. The marketing functions for the Company's membership services are combined for its various services and, accordingly, there are no significant changes in marketing costs by membership service.

The Company routinely reviews all membership renewal rates and has not seen any material change over the last year in the average renewal rate. Based on current information, the Company does not anticipate that the average renewal rate will change significantly. Renewal rates are calculated by dividing the total number of renewing members not requesting a refund during their renewal year by the total members up for renewal.

General and administrative costs decreased as a percentage of revenue, from 15% to 14%. This is the result of the Company's ongoing ability to control overhead. Interest income, net, increased from \$3.2 million to \$7.9 million primarily due to the reduction of the Company's average outstanding loan balance and the net interest income from the increased level of cash generated by the Company for investment.

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#### SELLING STOCKHOLDERS

The following table below sets forth information as of October 1, 1996 regarding the "beneficial" ownership (within the meaning of Rule 13d-3 under the Exchange Act) of Common Stock by each Selling Stockholder and as adjusted to give effect to the sale of all of the Shares offered hereby. The table assumes that the Underwriters will not exercise their over-allotment options. See "Underwriting".

SELLING STOCKHOLDERS AND RELATIONSHIP TO THE COMPANY	COMMON STOCK BENEFICIALLY OWNED PRIOR TO THE OFFERINGS		COMMON STOCK TO BE SOLD IN THE OFFERINGS	COMMON STOCK TO BE BENEFICIALLY OWNED AFTER THE OFFERINGS (1)	
	NUMBER OF SHARES	PERCENT		NUMBER OF SHARES	PERCENT
Robert M. Davidson..... Vice-Chairman of the Board of Directors of the Company c/o Davidson & Associates, Inc. 19840 Pioneer Avenue Torrance, CA 90503	20,622,550 (2)	5.2%	300,000	11,922,550	3.0%
Janice G. Davidson..... Director of the Company c/o Davidson & Associates, Inc. 19840 Pioneer Avenue Torrance, CA 90503	20,622,208 (3)	5.2%	300,000	11,922,208	3.0%
Robert M. Davidson..... Charitable Remainder Unitrust dated March 30, 1995 c/o Robert M. Davidson Davidson & Associates, Inc. 19840 Pioneer Avenue Torrance, CA 90503	11,475,000 (4)	2.9%	7,500,000	3,975,000	1.0%
Janice G. Davidson..... Charitable Remainder Unitrust dated March 30, 1995 c/o Janice G. Davidson Davidson & Associates, Inc. 19840 Pioneer Avenue Torrance, CA 90503	11,475,000 (5)	2.9%	7,500,000	3,975,000	1.0%
The John R. Davidson Trust..... c/o Robert M. Davidson Davidson & Associates, Inc. 19840 Pioneer Avenue Torrance, CA 90503	2,765,155 (6)	0.7%	300,000	2,465,155	0.6%
The Elizabeth Davidson Trust..... c/o Robert M. Davidson Davidson & Associates, Inc. 19840 Pioneer Avenue Torrance, CA 90503	2,765,155 (7)	0.7%	300,000	2,465,155	0.6%

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SELLING STOCKHOLDERS AND RELATIONSHIP TO THE COMPANY	COMMON STOCK BENEFICIALLY OWNED PRIOR TO THE OFFERINGS		COMMON STOCK TO BE SOLD IN THE OFFERINGS	COMMON STOCK TO BE BENEFICIALLY OWNED AFTER THE OFFERINGS (1)	
	NUMBER OF SHARES	PERCENT		NUMBER OF SHARES	PERCENT

The Emilie A. Davidson Trust.....	2,765,155(8)	0.7%	300,000	2,465,155	0.6%
c/o Robert M. Davidson					
Davidson & Associates, Inc.					
19840 Pioneer Avenue					
Torrance, CA 90503					
All Selling Stockholders as a Group.....	32,727,494(9)	8.3%	16,500,000	16,227,494	4.1%

- (1) If the Underwriters' over-allotment options are exercised in full, the Robert M. Davidson Charitable Remainder Unitrust dated March 30, 1995 and the Janice G. Davidson Charitable Remainder Unitrust dated March 30, 1995 will each sell an additional 1,237,500 shares in the offering made hereby and will each beneficially own 2,737,500 (or 0.7%) of the total shares of Common Stock outstanding.
- (2) Robert M. Davidson directly owns 630,286 shares of Common Stock, with respect to which he has sole voting and dispositive power. Mr. Davidson, as trustee with sole voting and dispositive power, may be deemed the beneficial owner of the 11,475,000 shares of Common Stock held in the Robert M. Davidson Charitable Remainder Unitrust dated March 30, 1995. Mr. Davidson also serves as a trustee with shared voting and dispositive power of The Elizabeth Davidson Trust, The Emilie A. Davidson Trust and The John R. Davidson Trust, each of which holds 2,765,155 shares of Common Stock, and he may be deemed to beneficially own the shares of Common Stock owned by such trusts. Mr. Davidson also owns 221,799 shares of Common Stock together with his wife, Janice G. Davidson, with respect to which he shares voting and dispositive power. In the aggregate, Mr. Davidson may be deemed to beneficially own 20,622,550 shares of Common Stock, which represents 5.2% of the outstanding Common Stock.
- (3) Janice G. Davidson directly owns 629,944 shares of Common Stock, with respect to which she has sole voting and dispositive power. Mrs. Davidson, as trustee with sole voting and dispositive power, may be deemed the beneficial owner of the 11,475,000 shares of Common Stock held in the Janice G. Davidson Charitable Remainder Unitrust dated March 30, 1995. Mrs. Davidson also serves as a trustee with shared voting and dispositive power of The Elizabeth Davidson Trust, The Emilie A. Davidson Trust and The John R. Davidson Trust, each of which holds 2,765,155 shares of Common Stock, and she may be deemed to beneficially own the shares of Common Stock owned by such trusts. Mrs. Davidson also owns 221,799 shares of Common Stock together with her husband, Robert M. Davidson, with respect to which she shares voting and dispositive power. In the aggregate, Mrs. Davidson may be deemed to beneficially own 20,622,208 shares of Common Stock, which represents 5.2% of the outstanding Common Stock.
- (4) The Robert M. Davidson Charitable Remainder Unitrust dated March 30, 1995 directly beneficially owns 11,475,000 shares of Common Stock, which represents 2.9% of the outstanding shares of Common Stock. Robert M. Davidson, as trustee of the Robert M. Davidson Charitable Remainder Unitrust dated March 30, 1995, has sole power to vote and dispose of the shares owned by such trust.
- (5) The Janice G. Davidson Charitable Remainder Unitrust dated March 30, 1995 directly beneficially owns 11,475,000 shares of Common Stock, which represents 2.9% of the outstanding shares of Common Stock. Janice G. Davidson, as trustee of the Janice G. Davidson Charitable Remainder Unitrust dated March 30, 1995, has sole power to vote and dispose of the shares owned by such trust.
- (6) The John R. Davidson Trust directly beneficially owns 2,765,155 shares of Common Stock, which represents 0.7% of the outstanding shares of Common Stock. Robert M. Davidson and Janice G. Davidson, as co-trustees of The John R. Davidson Trust, share voting and dispositive power of the shares owned by such trust.
- (7) The Elizabeth Davidson Trust directly beneficially owns 2,765,155 shares of Common Stock, which represents 0.7% of the outstanding shares of Common Stock. Robert M. Davidson and Janice G. Davidson, as co-trustees of The Elizabeth Davidson Trust, share voting and dispositive power of the shares owned by such trust.

- (8) The Emilie A. Davidson Trust directly beneficially owns 2,765,155 shares of Common Stock, which represents 0.7% of the outstanding shares of Common Stock. Robert M. Davidson and Janice G. Davidson, as co-trustees of The Emilie A. Davidson Trust, share voting and dispositive power of the shares owned by such trust.
- (9) The Selling Stockholders may be deemed a "group" for purposes of Section 13(d) under the Exchange Act. The Selling Stockholders in the aggregate directly beneficially own 32,727,494 shares of Common Stock, which represents 8.3% of the outstanding Common Stock. Nothing contained herein shall be deemed an admission as to the existence of a "group" under Section 13(d).

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On July 24, 1996, the Company completed the Davidson Acquisition. In connection therewith, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with the Selling Stockholders, including Robert M. Davidson and Janice G. Davidson (Mr. and Mrs. Davidson being hereinafter referred to collectively as the "Davidsons") and the other Selling Stockholders identified in the table above. As more fully discussed below, the Registration Rights Agreement entitles the Selling Stockholders to effect the registration of the shares they received pursuant to the Davidson Acquisition, including those shares received by the Davidsons in connection with the sale of certain real property owned by them to a wholly owned subsidiary of the Company.

#### REGISTRATION RIGHTS AGREEMENT

DEMAND REGISTRATION. Pursuant to the Registration Rights Agreement, the Company agreed, among other things, that at any time, and from time to time, commencing on July 24, 1996 (the "Davidson Effective Date") and ending on July 24, 2002 (such six-year period, the "Davidson Effective Period"), upon the written request of any of the Selling Stockholders requesting that the Company effect the registration under the Securities Act of Registrable Securities (as defined in the Registration Rights Agreement) which, in the aggregate, constitute at least 2,000,000 shares of Common Stock, the Company will use its best efforts to register under the Securities Act (a "Demand Registration"), as expeditiously as may be practicable, the Registrable Securities which the Company has been requested to register, all to the extent requisite to permit the disposition of such Registrable Securities in accordance with the methods intended by the Selling Stockholders; PROVIDED THAT (A) no Selling Stockholder may exercise a Demand Registration within three months of the effective date of any registration statement covering equity securities of the Company (other than on Form S-4 or Form S-8 or any successor or similar registration form) and (B) the Company will not be required to effect any Demand Registration if the Company reasonably determines that the sale of the Registrable Securities would be likely to cause the Davidson Acquisition not to be accounted for as a "pooling of interests". The Company has filed a registration statement covering the resale of Common Stock issued by the Company in connection with a certain acquisition, which registration statement was declared effective by the Commission on September 18, 1996. The Company, however, has agreed to waive the condition described in clause (A) above in order to allow the Selling Stockholders to exercise the Demand Registration to which this offering relates.

In addition to the above restrictions, the Registration Rights Agreement provides that if the Company has previously effected a Demand Registration, it is not required to effect a subsequent Demand Registration until a period of at least 120 days has elapsed from the effective date of the registration statement used in connection with such previous Demand Registration, and the Company is not required to effect more than three Demand Registrations during any 36-month period during the Davidson Effective Period.

Pursuant to the Registration Rights Agreement, the Company also may defer the filing or effectiveness of any registration statement related to a Demand Registration for a reasonable period of time not to exceed 90 days after such request if (A) the Company is, at such time, conducting an underwritten public offering of Common Stock and is advised by the managing underwriter(s) that such offering would be adversely affected by such filing or (B) the Company determines, in its good faith and reasonable judgment, that any such filing or the offering of any Registrable Securities would materially impede, delay or interfere with any material proposed financing, offer or sale of securities, acquisition, corporate reorganization or other significant transaction involving the Company; PROVIDED, HOWEVER, with respect to clauses (A) and (B) above, that the Company is not entitled to postpone such filing or effectiveness if, within the preceding 12 months, it has effected two postponements, and following such

postponements the Registrable Securities to be sold pursuant to the postponed registration statements were not sold (for any reason); and PROVIDED FURTHER, that during the period commencing on the

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Davidson Effective Date and ending 120 days thereafter, the Company may not defer the filing or effectiveness of the first Demand Registration requested for more than 30 days.

INCIDENTAL ("PIGGYBACK") REGISTRATION. The Company has further agreed that if at any time it proposes to register shares of Common Stock under the Securities Act for its own account (other than a registration on Form S-4 or Form S-8, or any successor or similar registration forms) in a manner that would permit registration of Registrable Securities for sale to the public under the Securities Act, it will promptly give written notice to all Selling Stockholders of its intention to do so and will use its best efforts to include in the proposed Company registration all Registrable Securities that the Company is requested in writing to register by the Selling Stockholders.

In connection with the foregoing rights of demand and incidental registration, the Company has agreed to pay certain registration, printing and NYSE listing fees and expenses incident thereto and to indemnify the holders of Registrable Securities against certain liabilities, including liabilities arising under the Securities Act.

Pursuant to the Underwriting Agreement, the Company, the Selling Stockholders and the Underwriters severally have agreed to indemnify each other against certain liabilities, including certain liabilities arising under the Securities Act. See "Underwriting".

#### OTHER MATERIAL RELATIONSHIPS OF SELLING STOCKHOLDERS WITH THE COMPANY

DIRECTORSHIPS. Immediately following the Davidson Acquisition, the Company increased the size of the Company's Board of Directors (the "CUC Board") by three directors and caused Robert M. Davidson and Janice G. Davidson to be appointed to the CUC Board to fill two of the vacancies so created, for initial terms expiring two years and one year, respectively, following the date of the Company's first annual meeting of shareholders next following February 19, 1996, and further caused Robert M. Davidson to be elected as a Vice Chairman of the CUC Board. From and after the Davidson Effective Date, and for so long as the Selling Stockholders collectively beneficially own (as such term is defined in Section 13 of the Exchange Act and the rules and regulations thereunder) 25% of the shares of Common Stock received by them in the Davidson Acquisition, the Company has agreed to cause at least one of the Davidsons to be included in the slate of nominees for election to the CUC Board at each annual meeting of holders of Common Stock and at any special meeting of such holders at which directors are to be elected (unless one of the Davidsons is then a member of a director class whose term does not expire at such meeting).

EMPLOYMENT AND NONCOMPETITION AGREEMENTS. In connection with the Davidson Acquisition, the Davidsons entered into separate employment and noncompetition agreements with the Company.

Pursuant to his employment agreement with the Company, Mr. Davidson serves (i) as a Vice Chairman of the CUC Board and as Davidson's Chief Executive Officer and a director of Davidson and (ii) as a director, Chairman and Chief Executive Officer of CUC's educational and entertainment software division, and is responsible for the overall management of Davidson and CUC's educational and entertainment software division. Pursuant to her employment agreement with the Company, Mrs. Davidson serves as Davidson's President and as a director of Davidson, and serves as a director of CUC's educational and entertainment software division. The term of each of the Davidsons' employment continues through July 24, 1999, subject to extension or termination as provided in their agreements. The Davidsons are eligible for discretionary annual incentive compensation awards and are 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 are eligible under any plan or program now in effect or later established by the Company for salaried employees generally.

The non-competition agreements with the Davidsons provide that, until July 24, 2001, without the prior written approval by the CUC Board, the Davidsons

must abstain from (i) engaging in competition,

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or directly or indirectly owning or holding a proprietary interest in or being employed by, or consulting with or receiving 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; (ii) soliciting any clients of Davidson or any of its subsidiaries for any business of Davidson or any of its subsidiaries or discussing with any employee of CUC or any of its affiliates information or operations of any business intended to compete with CUC or any of its affiliates; and (iii) soliciting or inducing 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. In addition, the Davidsons have agreed that during such period, they will not directly or indirectly engage, employ or compensate, or cause or permit any person with whom they may be affiliated to engage, employ or compensate, any employee of CUC or any of its affiliates.

REAL PROPERTY AGREEMENT. Pursuant to a certain agreement dated July 23, 1996, the Davidsons sold to a subsidiary of the Company, simultaneously with the closing of the Davidson Acquisition, certain real property then owned by them and leased to Davidson. The purchase price was paid by delivery of 221,799 shares of Common Stock, which shares constitute Registrable Securities pursuant to the Registration Rights Agreement.

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#### UNDERWRITING

Subject to the terms and conditions of the U.S. Underwriting Agreement, the Selling Stockholders have severally agreed to sell to each of the U.S. Underwriters named below, and each of such U.S. Underwriters, for whom Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as representatives, has severally agreed to purchase from the Selling Stockholders, the respective number of shares of Common Stock set forth opposite its name below:

UNDERWRITER	NUMBER OF SHARES OF COMMON STOCK
Goldman, Sachs & Co.....	
Morgan Stanley & Co. Incorporated.....	
Bear, Stearns & Co. Inc.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Smith Barney Inc.....	
Total.....	13,200,000

Under the terms and conditions of the U.S. Underwriting Agreement, the U.S. Underwriters are committed to take and pay for all of the shares of Common Stock offered hereby, if any are taken.

The U.S. Underwriters propose to offer the shares of Common Stock in part directly to the public at the public offering price set forth on the cover page of this Prospectus, and in part to certain securities dealers at such price less a concession of \$ per share. The U.S. Underwriters may allow, and such dealers may realow, a concession not in excess of \$ per share to certain brokers and dealers. After the shares of Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

The Company and the Selling Stockholders have entered into an underwriting agreement (the "International Underwriting Agreement") with the underwriters of the international offering (the "International Underwriters") providing for the concurrent offer and sale of 3,300,000 shares of Common Stock in an offering conducted outside the United States. The offering price and aggregate underwriting discounts and commissions per share for the two offerings are identical. The closing of the offering made hereby is a condition to the closing of the international offering, and vice versa. The representatives of the

International Underwriters are Goldman Sachs International, Morgan Stanley & Co. International Limited, Bear, Stearns International Limited, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc.

Pursuant to an Agreement between the U.S. and International Underwriting Syndicates (the "Agreement Between") relating to the two offerings, each of the U.S. Underwriters named herein has agreed that, as a part of the distribution of the shares offered hereby and subject to certain exceptions, it will offer, sell or deliver the shares of Common Stock, directly or indirectly, only in the United States (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (collectively the "United States") and to U.S. persons, which term shall mean, for purposes hereof: (a) any individual who is a resident of the United States or (b) any corporation, partnership or other entity organized in or under the laws of the United States or any political subdivision thereof and whose office most directly involved with the purchase is located in the United States. Each of the International Underwriters has agreed pursuant to the Agreement Between that, as a part of the distribution of the shares of Common Stock offered as a part of the international offering, and subject to certain exceptions, it will (i) not, directly or indirectly, offer, sell or deliver shares of Common Stock (a) in the United States or to any U.S. persons or (b) to any person whom it believes intends to reoffer, resell or

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deliver the shares in the United States or to any U.S. persons, and (ii) cause any dealer to whom it may sell such shares at any concession to agree to observe a similar restriction.

Pursuant to the Agreement Between, sales may be made between the U.S. Underwriters and the International Underwriters of such number of shares of Common Stock as may be mutually agreed. The price of any shares so sold shall be the public offering price, less an amount not greater than the selling concession.

Certain of the Selling Stockholders have granted the U.S. Underwriters an option exercisable on or before November 12, 1996 for the purchase of up to an aggregate of 1,980,000 additional shares of Common Stock, solely to cover over-allotments, if any. If the U.S. Underwriters exercise such over-allotment option, the U.S. Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the total number of shares of Common Stock offered hereby. In addition, certain of the Selling Stockholders have granted the International Underwriters a similar option exercisable for up to an aggregate of 495,000 additional shares of Common Stock.

The Company and the Selling Stockholders have agreed that, during the period beginning on the date of this Prospectus and continuing to and including the date 90 days after the date of this Prospectus, they will not offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than pursuant to employee stock option and purchase plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Prospectus, or shares in connection with the acquisition by the Company of the business, assets or capital stock of another company or pursuant to a purchase, business combination or merger agreement, pursuant to which, in any single transaction, not more than 25,000,000 shares of Common Stock are issued or exchanged) which are substantially similar to the shares of Common Stock or which are convertible into or exchangeable for securities which are substantially similar to the shares of Common Stock, without the prior written consent of the representatives, except for shares of Common Stock offered in connection with the concurrent U.S. and international offerings.

The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the International Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

This Prospectus may be used by underwriters and dealers in connection with offers and sales of the Common Stock, including shares initially sold in the international offering, to persons located in the United States.

Goldman, Sachs & Co. has provided various investment banking and financial advisory services for the Company, in respect of which it has received certain

fees.

Smith Barney Inc. has provided various investment banking and financial advisory services for Davidson & Associates, Inc., in respect of which it has received certain fees.

The U.S. Underwriters and the International Underwriters have agreed to reimburse certain Selling Stockholders for certain expenses incurred by them in connection with the offering.

#### VALIDITY OF COMMON STOCK

The validity of the shares offered hereby will be passed upon for the Company by Weil, Gotshal & Manges LLP, New York, New York, and for the Underwriters by Sullivan & Cromwell, New York, New York.

#### EXPERTS

The consolidated financial statements and schedule of the Company appearing in the CUC 10-K have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference which, as to the years 1995 and 1994, are based

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in part on the report of Deloitte & Touche LLP, independent auditors. The Supplemental Consolidated Financial Statements of the Company included in its Current Report on Form 8-K dated July 24, 1996 have also been audited by Ernst & Young LLP, as set forth in their report included therein and incorporated herein by reference which, as to the years 1996, 1995 and 1994, are based in part on the reports of Deloitte & Touche LLP, KPMG Peat Marwick LLP and Price Waterhouse LLP, independent auditors. The financial statements and schedule and the Supplemental Consolidated Financial Statements referred to above are incorporated herein by reference in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information for the three-month periods ended April 30, 1996 and April 30, 1995, and the three-month periods and the six-month periods ended July 31, 1996 and July 31, 1995, incorporated by reference in this Prospectus, Ernst & Young LLP have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report, included in the Company's Quarterly Reports on Form 10-Q for the quarters ended April 30, 1996 and July 31, 1996, incorporated herein by reference, state that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted considering the limited nature of the review procedures applied. The independent auditors are not subject to the liability provisions of Section 11 of the Securities Act for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the Registration Statement prepared or certified by the auditors within the meaning of Sections 7 and 11 of the Securities Act.

The consolidated financial statements and the Supplemental Consolidated Financial Statements included in the CUC 10-K and the Company's Current Report on Form 8-K filed on September 17, 1996, respectively, and the unaudited condensed consolidated interim financial information included in the Company's Quarterly Reports referred to above have not been adjusted to give effect to the three-for-two stock split to be effected on October 21, 1996 (see Note d to "Selected Financial Data").

The consolidated financial statements of Ideon as of December 31, 1995 and 1994 and as of October 31, 1994 and for the year ended December 31, 1995, the two months ended December 31, 1994 and each of the two years in the period ended October 31, 1994, incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K filed with the Commission on September 17, 1996, have been so incorporated in reliance upon the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedules of Davidson, incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K filed with the Commission on September 17,



1996, have been audited by KPMG Peat Marwick LLP, independent auditors, as stated in their report which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedule of Sierra, incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K filed with the Commission on September 17, 1996, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

As stated in their report dated September 11, 1996 on the consolidated financial statements and the related financial statement schedule of Advance Ross, which report is incorporated herein by reference to the September 17, 1996 Form 8-K, the consolidated financial statements and the related financial statement schedule of Advance Ross have been audited by Deloitte & Touche LLP, independent auditors, such report of such firm having been given upon their authority as experts in accounting and auditing.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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16,500,000 SHARES

CUC INTERNATIONAL INC.  
COMMON STOCK  
(PAR VALUE \$.01 PER SHARE)

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[LOGO]  
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GOLDMAN, SACHS & CO.

MORGAN STANLEY & CO.  
INCORPORATED

BEAR, STEARNS & CO. INC.

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

SMITH BARNEY INC.

REPRESENTATIVES OF THE UNDERWRITERS

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SUBJECT TO COMPLETION DATED OCTOBER 9, 1996  
INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT.

16,500,000 SHARES\*  
[LOGO]  
CUC INTERNATIONAL INC.  
COMMON STOCK  
(PAR VALUE \$.01 PER SHARE)  
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Of the 16,500,000 shares of Common Stock being offered, 3,300,000 shares are being offered hereby in an international offering outside the United States and 13,200,000 shares are being offered in a concurrent United States offering. The public offering price and the aggregate underwriting discount per share will be identical for both offerings. See "Underwriting".

All of the shares of Common Stock offered hereby are being sold by the Selling Stockholders. See "Selling Stockholders". The Company will not receive any of the proceeds from the sale of the shares offered hereby.

The last reported sale price of the Common Stock, which is listed under the symbol "CU", on the New York Stock Exchange, Inc. Composite Tape on October 8, 1996 was \$26.25 per share. See "Price Range of Common Stock and Dividend Policy".

\* UNLESS OTHERWISE INDICATED, ALL INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN ADJUSTED FOR THE THREE-FOR-TWO SPLIT OF THE COMMON STOCK TO BE EFFECTED ON OCTOBER 21, 1996, AND FURTHER ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTIONS WILL NOT BE EXERCISED.

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THIS INTERNATIONAL PROSPECTUS IS INTENDED FOR USE ONLY IN CONNECTION WITH  
OFFERS  
AND SALES OF THE COMMON STOCK OUTSIDE THE UNITED STATES AND IS NOT TO BE  
SENT OR GIVEN TO ANY PERSON WITHIN THE UNITED STATES. THE COMMON  
STOCK  
OFFERED HEREBY IS NOT BEING REGISTERED UNDER THE U.S.  
SECURITIES ACT  
OF 1933 FOR THE PURPOSE OF SALES OUTSIDE THE UNITED  
STATES.  
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	PUBLIC OFFERING PRICE	UNDERWRITING DISCOUNT (1)	PROCEEDS TO SELLING STOCKHOLDERS (2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

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- (1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.
  - (2) Before deducting estimated expenses of \$                      payable by the Company and \$                      payable by the Selling Stockholders.
  - (3) Certain of the Selling Stockholders have granted to the International Underwriters an option exercisable on or before November 12, 1996 to purchase up to an additional 495,000 shares at the initial public offering price per share, less the underwriting discount, solely to cover over-allotments. Additionally, certain of the Selling Stockholders have granted to the U.S. Underwriters an option exercisable on or before November 12, 1996 to purchase up to an additional 1,980,000 shares at the public offering price per share, less the underwriting discount, solely to cover over-allotments. If such options are exercised in full, the total initial

public offering price, underwriting discount, and proceeds to the Selling Stockholders will be \$ , \$ and \$ respectively. See "Underwriting".

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The shares offered hereby are offered severally by the International Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares will be ready for delivery in New York, New York, on or about October , 1996, against payment therefor in immediately available funds.

GOLDMAN SACHS INTERNATIONAL MORGAN STANLEY & CO.  
INTERNATIONAL

BEAR, STEARNS INTERNATIONAL LIMITED

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

SMITH BARNEY INC.

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THE DATE OF THIS PROSPECTUS IS OCTOBER , 1996.

#### CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. STOCKHOLDERS

The following is a discussion of the material United States Federal income and estate tax consequences of the ownership and disposition of Common Stock applicable to Non-U.S. Holders who acquire and hold the Common Stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). The term "Non-U.S. Holder" means any corporation, partnership, individual or estate or trust that, as to the United States and for United States Federal income tax purposes, is (a) a foreign corporation, (b) a foreign partnership, (c) a non-resident alien individual, or (d) a foreign estate or trust (I.E., a trust or estate other than a trust or estate the income of which is includible in gross income for U.S. tax purposes).

This discussion does not address all aspects of the United States Federal income and estate taxation that may be relevant to Non-U.S. Holders in light of their personal circumstances and does not address foreign, state or local tax consequences. This discussion also does not consider the tax consequences to a shareholder, partner or beneficiary of a Holder. Furthermore, the following discussion is based on current provisions of the Code, current and proposed Treasury regulations promulgated thereunder and administrative and judicial interpretations as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

PROSPECTIVE FOREIGN INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES AND OTHER TAX CONSEQUENCES OF OWNING AND DISPOSING OF SHARES OF COMMON STOCK.

#### DIVIDENDS

Generally, any dividend paid to a Non-U.S. Holder of Common Stock will be subject to United States withholding tax at a rate of 30% of the amount of the dividend, or at such lesser rate as may be provided by an applicable treaty. (For purposes of the withholding tax, a non-resident alien or other fiduciary of an estate or trust will be considered a Non-U.S. Holder.) No withholding will be required with respect to dividends that are "U.S. trade or business income" of a Non-U.S. Holder which has timely filed a Form 4224 (or successor form), in duplicate, with the Company in respect of the taxable year in which the dividends are paid. However, such dividends will be subject to United States Federal income tax at regular graduated rates. Dividends will be "U.S. trade or business income" if such dividends are (i) effectively connected with the conduct of a trade or business in the United States or (ii) where a U.S. income tax treaty applies, attributable to a U.S. permanent establishment or, in case of an individual, a "fixed base" in the United States. In the case of a Non-U.S. Holder which is a corporation, such U.S. trade or business income also may be subject to the branch profits tax (which is generally imposed on a foreign corporation on the repatriation from the United States of earnings and profits attributable to U.S. trade or business income) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if the recipient is a qualified resident of certain countries with which the United States has an income tax treaty.

Under current Treasury regulations, dividends paid to an address in a foreign country generally are presumed to be paid to a resident of such country for purposes of determining the applicability of the 30% withholding tax or of any lower treaty rate. However, under proposed Treasury regulations not currently in effect, a Non-U.S. Holder of Common Stock who wishes to claim the benefit of an applicable treaty would be required to satisfy certain certification requirements.

#### DISPOSITION OF COMMON STOCK

Except as described below, any gain realized by a Non-U.S. Holder on the sale or exchange of Common Stock will generally not be subject to U.S. Federal income tax, unless (i) such gain is U.S. trade or business income; (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other requirements; (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. tax law applicable to certain U.S. expatriates; or (iv) the Company is or has been a "U.S. real property holding corporation" (as defined for

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U.S. Federal income tax purposes) and the Non-U.S. Holder has held, during the preceding five-year period (or such shorter period that the shares were held) more than 5% of the Common Stock (assuming such stock is regularly traded on an established securities market). The Company is not now and has not been within the past five years and anticipates it will not become a "U.S. real property holding corporation."

#### FEDERAL ESTATE TAXES

Shares of Common Stock held by an individual at the time of his death (or theretofore transferred subject to certain retained rights or powers) will be subject to United States Federal estate tax unless otherwise provided by an applicable estate tax treaty.

#### INFORMATION REPORTING AND BACKUP WITHHOLDING

Generally, the Company must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to, and the tax withheld, if any, with respect to each Non-U.S. Holder. These reporting requirements apply whether or not withholding was reduced or eliminated by an applicable tax treaty. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides. U.S. backup withholding tax (which generally is a tax imposed at the rate of 31% on payments to persons that fail to furnish the information required under the United States information reporting requirements) generally will not apply to dividends paid on the Common Stock to a Non-U.S. Holder at an address outside the United States. Under proposed regulations, a Non-U.S. Holder may be required to establish such holder's foreign status to avoid the application of backup withholding on dividends paid outside the United States.

The payment of the proceeds of the disposition of shares of Common Stock to or through the United States office of a broker will be subject to information reporting and possible backup withholding unless the owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption. The payment of the proceeds from the disposition of shares of Common Stock to or through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding and information reporting. In the case of the payment of proceeds from the disposition of shares of Common Stock through a non-U.S. office of a broker that is a U.S. person or a "U.S. related person", existing regulations require information reporting, but not backup withholding on, the payment, unless the broker has documentary evidence in its files that the owner is a Non-U.S. Holder and the broker has no actual knowledge to the contrary. (For this purpose, a "U.S. related person" is (i) a "controlled foreign corporation" for United States Federal income tax purposes, or (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence), is derived from activities that are effectively connected with the conduct of a trade or business in the United States.)

Any amounts withheld under the backup withholding rules from a payment to a

Non-U.S. Holder will be allowed as a refund or a credit against such Non-U.S. Holder's United States Federal income tax liability, provided that certain required information is furnished to the Internal Revenue Service.

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#### UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Selling Stockholders have agreed to sell to each of the International Underwriters, named below, and each of such International Underwriters, for whom Goldman Sachs International, Morgan Stanley & Co. International Limited, Bear, Stearns International Limited, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as representatives, has severally agreed to purchase from each of the Selling Stockholders, the respective number of shares of Common Stock set forth opposite its name below:

UNDERWRITER	NUMBER OF SHARES OF COMMON STOCK
Goldman Sachs International.....	
Morgan Stanley & Co. International.....	
Bear, Stearns International Limited.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Smith Barney Inc.....	
Total.....	3,300,000

Under the terms and conditions of the Underwriting Agreement, the International Underwriters are committed to take and pay for all of the shares offered hereby, if any are taken.

The International Underwriters propose to offer the shares of Common Stock in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus, and in part to certain securities dealers at such price less a concession of \$ per share. The International Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain brokers and dealers. After the shares of Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

The Company and the Selling Stockholders have entered into an underwriting agreement (the "U.S. Underwriting Agreement") with the underwriters of the U.S. Offering (the "U.S. Underwriters") providing for the concurrent offer and sale of 13,200,000 shares of Common Stock in a U.S. offering in the United States. The offering price and aggregate underwriting discounts and commissions per share for the two offerings will be identical. The closing of the offering made hereby is a condition to the closing of the U.S. offering, and vice versa. The representatives of the U.S. Underwriters are Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc.

Pursuant to an Agreement between the U.S. and International Underwriting Syndicates (the "Agreement Between") relating to the two offerings, each of the U.S. Underwriters has agreed that, as a part of the distribution of the shares offered as a part of the U.S. offering and subject to certain exceptions, it will offer, sell or deliver the shares of Common Stock, directly or indirectly, only in the United States (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (the "United States") and to U.S. persons, which term shall mean, for purposes of this paragraph: (a) any individual who is a resident of the United States or (b) any corporation, partnership or other entity organized in or under the laws of the United States or any political subdivision thereof and whose office most directly involved with the purchase is located in the United States. Each of the International Underwriters named herein has agreed pursuant to the Agreement, Between that, as a part of the distribution of the shares offered hereby, and subject to certain exceptions, it will (i) not, directly or indirectly, offer, sell or deliver shares of Common Stock, (a) in the United States or to any U.S. persons or (b) to any person who it believes intends to reoffer, resell or deliver these shares in the United States or to any U.S. persons, and (ii) cause any dealer to whom it may sell such shares at any concession to agree to observe a similar restriction.

Pursuant to the Agreement Between, sales may be made between the U.S. Underwriters and the International Underwriters of such number of shares of Common Stock as may be mutually agreed. The

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price of any shares so sold shall be the public offering price, less an amount not greater than the selling concession.

The Selling Stockholders have granted the International Underwriters an option exercisable on or before November 12, 1996 for the purchase up to an aggregate of 495,000 additional shares of Common Stock, solely to cover over-allotments, if any. If the International Underwriters exercise their over-allotment option, the International Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the total number of shares of Common Stock offered hereby. The Company has granted the U.S. Underwriters a similar option to purchase up to an aggregate of 1,980,000 additional shares of Common Stock.

The Company and the Selling Stockholders have agreed that, during the period beginning from the date of this Prospectus and continuing to and including the date 90 days after the date of the Prospectus, they will not offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than pursuant to employee stock option and purchase plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Prospectus, or shares in connection with the acquisition by the Company of the business assets or capital stock of another company or pursuant to a purchase, business combination or merger agreement, pursuant to which, in any single transaction, not more than 25,000,000 shares of Common Stock are issued or exchanged) which are substantially similar to the shares of the Common Stock or which are convertible into or exchangeable for securities which are substantially similar to the shares of the Common Stock without the prior written consent of the representatives, except for the shares of the Common Stock offered in connection with the concurrent U.S. and international offerings.

Each International Underwriter has also agreed that (a) it has not offered or sold and will not offer or sell any shares of Common Stock to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (b) it has complied, and will comply, with all applicable provisions of the Financial Services Act of 1986 of Great Britain with respect to anything done by it in relation to the shares of Common Stock in, from or otherwise involving the United Kingdom, and (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of the shares of Common Stock to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (investment Advertisements) (Exemptions) Order 1996 of Great Britain or is a person to whom the document may otherwise lawfully be issued or passed on.

Buyers of shares of Common Stock offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the public offering price.

The Company and the Selling Shareholders have agreed to indemnify the International Underwriters and the U.S. Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Goldman, Sachs & Co. has provided various investment banking and financial advisory services for the Company, in respect of which it has received certain fees.

Smith Barney Inc. has provided various investment banking and financial advisory services for Davidson & Associates, Inc., in respect of which it has received certain fees.

The International Underwriters and the U.S. Underwriters have agreed to reimburse certain Selling Stockholders for certain expenses incurred by them in connection with the offering.

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## VALIDITY OF COMMON STOCK

The validity of the shares offered hereby will be passed upon for the Company by Weil, Gotshal & Manges LLP, New York, New York, and for the Underwriters by Sullivan & Cromwell, New York, New York.

## EXPERTS

The consolidated financial statements and schedule of the Company appearing in the CUC 10-K have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference which, as to the years 1995 and 1994, are based in part on the report of Deloitte & Touche LLP, independent auditors. The Supplemental Consolidated Financial Statements of the Company included in its Current Report on Form 8-K dated July 24, 1996 have also been audited by Ernst & Young LLP, as set forth in their report included therein and incorporated herein by reference which, as to the years 1996, 1995 and 1994, are based in part on the reports of Deloitte & Touche LLP, KPMG Peat Marwick LLP and Price Waterhouse LLP, independent auditors. The financial statements and schedule and the Supplemental Consolidated Financial Statements referred to above are incorporated herein by reference in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information for the three-month periods ended April 30, 1996 and April 30, 1995, and the three-month periods and the six-month periods ended July 31, 1996 and July 31, 1995, incorporated by reference in this Prospectus, Ernst & Young LLP have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report, included in the Company's Quarterly Reports on Form 10-Q for the quarters ended April 30, 1996 and July 31, 1996, incorporated herein by reference, state that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted considering the limited nature of the review procedures applied. The independent auditors are not subject to the liability provisions of Section 11 of the Securities Act for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the Registration Statement prepared or certified by the auditors within the meaning of Sections 7 and 11 of the Securities Act.

The consolidated financial statements and the Supplemental Consolidated Financial Statements included in the CUC 10-K and the Company's Current Report on Form 8-K filed on September 17, 1996, respectively, and the unaudited condensed consolidated interim financial information included in the Company's Quarterly Reports referred to above have not been adjusted to give effect to the three-for-two stock split to be effected on October 21, 1996 (see Note d to "Selected Financial Data").

The consolidated financial statements of Ideon as of December 31, 1995 and 1994 and as of October 31, 1994 and for the year ended December 31, 1995, the two months ended December 31, 1994 and each of the two years in the period ended October 31, 1994, incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K filed with the Commission on September 17, 1996, have been so incorporated in reliance upon the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedules of Davidson, incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K filed with the Commission on September 17, 1996, have been audited by KPMG Peat Marwick LLP, independent auditors, as stated in their report which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedule of Sierra, incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K filed with the

Commission on September 17, 1996, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

As stated in their report dated September 11, 1996 on the consolidated financial statements and the related financial statement schedule of Advance Ross, which report is incorporated herein by reference to the September 17, 1996 Form 8-K, the consolidated financial statements and the related financial statement schedule of Advance Ross have been audited by Deloitte & Touche LLP, independent auditors, such report of such firm having been given upon their authority as experts in accounting and auditing.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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16,500,000 SHARES

CUC INTERNATIONAL INC.  
COMMON STOCK  
(PAR VALUE \$.01 PER SHARE)

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[LOGO]

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GOLDMAN SACHS INTERNATIONAL

MORGAN STANLEY & CO.  
INTERNATIONAL

BEAR, STEARNS INTERNATIONAL LIMITED

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

SMITH BARNEY INC.

REPRESENTATIVES OF THE UNDERWRITERS

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# INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The table below sets forth the expenses expected to be incurred and borne solely by the Company in connection with the registration of the shares of Common Stock offered hereby. All amounts, except the SEC Registration Fee, are estimated.

SEC Registration Fee.....	\$155,480.00
Legal Fees and Expenses.....	65,000.00
Blue Sky Fees and Expenses.....	10,000.00
Accounting Fees and Expenses.....	25,000.00
Printing Fees and Expenses.....	65,000.00
Miscellaneous.....	10,000.00
	-----
Total.....	\$330,480.00
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The Company has agreed to bear certain costs of registering the shares of Common Stock under the Securities Act, including the registration fee under the Securities Act, all other registration and filing fees, all fees and disbursements of counsel and accountants retained by the Company and all other expenses incurred by the Company in connection with the Company's performance of or compliance with the Registration Rights Agreement; such costs (or estimates thereof) have been set forth above. The Selling Stockholders will bear certain other costs relating to the registration of the shares of Common Stock under the Securities Act, including all underwriting discounts and commissions, all transfer taxes and all costs of any separate legal counsel or other advisors retained by the Selling Stockholders.

## ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the General Corporation Law of the State of Delaware empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. A Delaware corporation may indemnify directors, officers, employees and other agents of such corporation in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the person to be indemnified has been adjudged to be liable to the corporation. Where a director, officer, employee or agent of the corporation is successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above or in defense of any claim, issue or matter therein, the corporation must indemnify such person against the expenses (including attorneys' fees) which he or she actually and reasonably incurred in connection therewith.

The Company's By-laws contain provisions that provide for indemnification of officers and directors and their heirs and distributees to the fullest extent permitted by, and in the manner permissible under, the General Corporation Law of the State of Delaware.

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As permitted by Section 102(b)(7) of the General Corporation Law of the State of Delaware, the Company's Amended and Restated Certificate of Incorporation contains a provision eliminating the personal liability of a director to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, subject to certain exceptions.

The Company maintains policies insuring its officers and directors against certain civil liabilities, including liabilities under the Securities Act.

Pursuant to the U.S. and International Underwriting Agreements, the Underwriters have agreed to indemnify the Company and the Selling Stockholders against certain liabilities, including liabilities under the Securities Act. Pursuant to Registration Rights Agreements, the Selling Stockholders have agreed to indemnify the Company and its officers, directors and control persons against certain liabilities.

#### ITEM 16. EXHIBITS AND FINANCIAL SCHEDULES

##### (a) Exhibits

- 1.1 ) Form of U.S. Underwriting Agreement dated October , 1996, among CUC International Inc., the Selling Stockholders and the U.S. Underwriters.
- 1.1 ) Form of International Underwriting Agreement dated October , 1996, among CUC International Inc., the Selling Stockholders, and the International Underwriters.
- \*4.1 Registration Rights Agreement dated July 24, 1996, among CUC International Inc. and the other parties signatory thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on August 5, 1996).
- 5.1 Opinion as to validity of the Shares.
- 15.1 Letter re: Unaudited Interim Financial Information.
- 23.1 Consent of Counsel (included in Exhibit 5.1).
- 23.2 Consent of Ernst & Young LLP.
- 23.3 Consent of Price Waterhouse LLP (relating to the Ideon Group, Inc. financial statements).
- 23.4 Consent of KPMG Peat Marwick LLP (relating to the Davidson & Associates, Inc. financial statements).
- 23.5 Consent of Deloitte & Touche LLP (relating to the Sierra On-Line, Inc. financial statements).
- 23.6 Consent of Deloitte & Touche LLP (relating to the Advance Ross Corporation financial statements).
- \*24.1 Power of Attorney (included as part of the Signature Page of this Registration Statement).

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\* Previously filed.

#### ITEM 17. UNDERTAKINGS

1. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement

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relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

2. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being offered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

3. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of

prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

4. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Stamford, State of Connecticut on this 9th day of October 1996.

CUC INTERNATIONAL INC.

BY: /S/ WALTER A. FORBES

-----  
Walter A. Forbes  
CHIEF EXECUTIVE OFFICER AND  
CHAIRMAN OF THE BOARD OF DIRECTORS

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Walter A. Forbes and E. Kirk Shelton, and each and either of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including, without limitation, post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- /s/ WALTER A. FORBES ----- Walter A. Forbes	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	October 9, 1996
----- /s/ COSMO CORIGLIANO ----- Cosmo Corigliano	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	October 9, 1996
----- /s/ BARTLETT BURNAP ----- Bartlett Burnap	Director	October 9, 1996

/s/ T. BARNES DONNELLEY	Director	October 9, 1996
-----		
T. Barnes Donnelley		
/s/ STEPHEN A. GREYSER	Director	October 9, 1996
-----		
Stephen A. Greyser		
/s/ CHRISTOPHER K. MCLEOD	Director	October 9, 1996
-----		
Christopher K. McLeod		

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SIGNATURE	TITLE	DATE
-----	-----	-----
/s/ BURTON C. PERFIT	Director	October 9, 1996
-----		
Burton C. Perfit		
/s/ ROBERT P. RITTEREISER	Director	October 9, 1996
-----		
Robert P. Rittereiser		
/s/ STANLEY M. RUMBOUGH,	Director	October 9, 1996
JR.		
-----		
Stanley M. Rumbough, Jr.		
/s/ E. KIRK SHELTON	Director	October 9, 1996
-----		
E. Kirk Shelton		
/s/ KENNETH A. WILLIAMS	Director	October 9, 1996
-----		
Kenneth A. Williams		
/s/ JANICE G. DAVIDSON	Director	October 9, 1996
-----		
Janice G. Davidson		
/s/ ROBERT M. DAVIDSON	Director	October 9, 1996
-----		
Robert M. Davidson		

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# EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAGE NO.
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1.1(a)	Form of U.S. Underwriting Agreement dated October , 1996, among CUC International Inc., the Selling Shareholders, the U.S. Underwriters.	
1.1(b)	Form of International Underwriting Agreement dated October , 1996, among CUC International Inc., the Selling Stockholders, and the International Underwriters.	
*4.1	Registration Rights Agreement dated July 24, 1996, among CUC International Inc. and the other parties signatory thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on August 5, 1996).	
5.1	Opinion as to validity of the Shares.	
15.1	Letter re: Unaudited Interim Financial Information.	
23.1	Consent of Counsel (included in Exhibit 5.1).	
23.2	Consent of Ernst & Young LLP.	

- 23.3 Consent of Price Waterhouse LLP (relating to the Ideon Group, Inc. financial statements).
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- 23.5 Consent of Deloitte & Touche LLP (relating to the Sierra On-Line, Inc. financial statements).
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- \*24.1 Power of Attorney (included as part of the Signature Page of this Registration Statement).

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\* Previously filed.

S&C Draft of October 9, 1996

CUC INTERNATIONAL INC.

COMMON STOCK  
PAR VALUE \$.01 PER SHARE

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UNDERWRITING AGREEMENT  
(U.S. VERSION)

-----

October , 1996

Goldman, Sachs & Co.,  
Morgan Stanley & Co. Incorporated,  
Bear Stearns & Co. Inc.,  
Donaldson, Lufkin & Jenrette  
Securities Corporation,  
Smith Barney Inc.,  
As representatives of the several  
Underwriters named in Schedule I hereto,  
c/o Goldman, Sachs & Co.,  
85 Broad Street,  
New York, New York 10004.

Dear Sirs:

Certain stockholders named in Schedule II hereto (the "Selling Stockholders") of CUC International Inc., a Delaware corporation (the "Company"), propose, subject to the terms and conditions stated herein, to sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 13,200,000 shares (the "Firm Shares") and, at the election of the Underwriters, up to 1,980,000 additional shares (the "Optional Shares") of Common Stock, par value \$.01 per share ("Stock"), of the Company (the Firm Shares and the Optional Shares which the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares").

It is understood and agreed to by all parties that the Company and the Selling Stockholders are concurrently entering into an agreement (the "International Underwriting Agreement") providing for the sale by the Selling Stockholders of up to a total of 3,795,000 shares of Stock (the "International Shares"), including the over-allotment option thereunder, through arrangements with certain underwriters outside the United States (the "International Underwriters"), for whom Goldman Sachs International and Morgan Stanley & Co. International Limited are acting as lead managers. Anything herein or therein to the contrary

notwithstanding, the respective closings under this Agreement and the International Underwriting Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the International Underwriters are simultaneously entering into an Agreement between U.S. and International Underwriting Syndicates (the "Agreement between Syndicates") which provides, among other things, for the transfer of shares of Stock between the two syndicates. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the International Shares. The latter form of prospectus will be identical to the former except for certain substitute pages. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as the context may otherwise require, references hereinafter to the Shares shall include all the shares of Stock which may be sold pursuant to either this Agreement or the International Underwriting Agreement, and references herein to any prospectus whether in preliminary or

final form, and whether as amended or supplemented, shall include both the U.S. and the international versions thereof.

1. (a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement on Form S-3 (File No. 333-13537) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto but including all documents incorporated by reference in the prospectus contained therein, for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement") filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which will become effective upon filing, no other document with respect to the Initial Registration Statement or document incorporated by reference therein has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act, being hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including (i) the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective or such part of the Rule 462(b) Registration Statement, if any, became or thereafter becomes effective; and (ii) the documents incorporated by reference in the prospectus contained in the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, at the time such part of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, became effective, each as amended at the time such part of the registration statement became effective, being hereinafter called

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the "Registration Statement"; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, being hereinafter called the "Prospectus"; and any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement);

(ii) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein or by a Selling Stockholder expressly for use in the preparation of the answers

therein to Item 7 of Form S-3;

(iii) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(iv) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and

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regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein or by a Selling Stockholder expressly for use in the preparation of the answers therein to Item 7 of Form S-3;

(v) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock (other than increases in the outstanding common stock of the Company as a result of the issuance of stock pursuant to any of the Company's existing stock option plans or employee stock purchase plans or upon the conversion of convertible securities outstanding on the date of this Agreement, in accordance with the descriptions of such plans and convertible securities in the Prospectus) or long-term debt or (other than any increase of less than \$50,000,000 incurred in the ordinary course of business of the Company and its subsidiaries, including for the purpose of financing acquisitions, or any decrease) short-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole, otherwise than as set forth or contemplated in the Prospectus;

(vi) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(vii) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with



power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for

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the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; and each of FISIMadison Financial Company, Benefit Consultants, Inc., Entertainment Publishing Corp. ("Entertainment"), Entertainment Publications Inc., Interval International, Inc., Davidson & Associates, Inc., Sierra On-Line, Inc. and Ideon Group, Inc. (each a "Subsidiary" and collectively, the "Subsidiaries") has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation;

(viii) The Company has an authorized capitalization as set forth in the Company's Quarterly Report on Form 10-Q for the six months ended July 31, 1996 as incorporated by reference in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description of the Stock contained in the Prospectus; and all of the issued shares of capital stock of each Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(ix) The compliance by the Company with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches, violations or defaults that will not have a material adverse effect on the Company and its subsidiaries taken as a whole or on the transactions contemplated hereby or by the International Underwriting Agreement, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters;

(x) Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation or By-laws or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any

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indenture, mortgage, deed of trust, loan agreement lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound;

(xi) The statements set forth in the Prospectus under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources; Inflation; Seasonality", "Selling Stockholders" and "Taxation", insofar as they purport to describe the provisions of the laws and documents referred to therein and the description of the capital stock of the Company contained in the Company's

Registration Statements on Form 8-A, as amended, referred to under the caption "Incorporation of Certain Documents by Reference", insofar as they purport to constitute summaries of the terms of the Stock and other capital stock of the Company, are accurate, complete and fair;

(xii) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(xiii) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes; and

(xiv) Ernst & Young LLP, who have certified certain financial statements of the Company and its subsidiaries, Deloitte & Touche LLP, who have certified certain financial statements of Sierra On-Line Inc and its subsidiaries and of Advance Ross Corporation and its subsidiaries, KPMG Peat Marwick LLP, who have certified certain financial statements of Davidson & Associates, Inc. and its subsidiaries and Price Waterhouse, LLP, who have certified certain financial statements of Ideon Group, Inc. and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

(b) Each of the Selling Stockholders severally represents and warrants to, and agrees with, each of the Underwriters and the Company that:

(i) All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement, the International Underwriting Agreement and the Power of Attorney (the "Power of Attorney") and the Custody Agreement (the "Custody Agreement") hereinafter referred to, and for the sale and delivery of the Shares to be sold by such Selling Stockholder hereunder and under the International Underwriting Agreement, have been obtained; and such Selling Stockholder has full right, power and authority to enter into this Agreement, the International Underwriting Agreement, the Power of Attorney and the Custody

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Agreement and to sell, assign, transfer and deliver the Shares to be sold by such Selling Stockholder hereunder and under the International Underwriting Agreement;

(ii) The sale of the Shares to be sold by such Selling Stockholder hereunder and under the International Underwriting Agreement and the compliance by such Selling Stockholder with all of the provisions of this Agreement, the International Underwriting Agreement, the Power of Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound, or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of such Selling Stockholder if such Selling Stockholder is a corporation; or the trust agreement of each Selling Stockholder if such Selling Stockholder is a trust; or the partnership agreement of such Selling Stockholder if such Selling Stockholder is a partnership; or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over such Selling Stockholder;

(iii) Such Selling Stockholder has, and immediately prior to each Time of Delivery (as defined in Section 4 hereof) such Selling Stockholder will have, good and valid title to the Shares to be sold at such Time of Delivery by

such Selling Stockholder hereunder and under the International Underwriting Agreement, free and clear of all liens, encumbrances, equities or claims; and, upon delivery of such Shares and payment therefor pursuant hereto and thereto, good and valid title to such Shares, free and clear of all liens, encumbrances, equities or claims, will pass to the several Underwriters and the International Underwriters;

(iv) During the period beginning from the date hereof and continuing to and including the date 90 days after the date of the Prospectus, such Selling Stockholder will not offer, sell, contract to sell or otherwise dispose of, except as provided hereunder or under the International underwriting Agreement, any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), without your prior written consent;

(v) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares; and

(vi) To the extent that any statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or

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supplement thereto are made in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein, such Preliminary Prospectus and the Registration Statement did, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(vii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, each of the Selling Stockholders agrees to deliver to you prior to or at the First Time of Delivery (as hereinafter defined) a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(viii) Certificates in negotiable form representing all of the Shares to be sold by such Selling Stockholder hereunder and under the International Underwriting Agreement have been placed in custody under a Custody Agreement, in the form heretofore furnished to you, duly executed and delivered by such Selling Stockholder to \_\_\_\_\_, as custodian (the "Custodian"), and that such Selling Stockholder has duly executed and delivered a Power of Attorney, in the form heretofore furnished to you, appointing the persons indicated in Schedule II hereto, and each of them, as such Selling Stockholder's attorneys-in-fact (the "Attorneys-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Stockholder, to determine the purchase price to be paid by the Underwriters to the Selling Stockholders as provided in Section 2 hereof, to authorize the delivery of the Shares to be sold by such Selling Stockholder hereunder and otherwise to act on behalf of such Selling Stockholder in connection with the transactions contemplated by this Agreement, the International Underwriting Agreement and the Custody Agreement.

(ix) The Shares represented by the certificates held in custody for such Selling Stockholder under the Custody Agreement are subject to the interests of the Underwriters hereunder and the International Underwriters under the International Underwriting Agreement; the arrangements made by such Selling Stockholder for such custody, and the appointment by such Selling Stockholder

of the Attorneys-in-Fact by the Power of Attorney, are to that extent irrevocable; the obligations of the Selling Stockholders hereunder and under the International Underwriting Agreement shall not be terminated by operation of law, whether by the death or incapacity of any individual Selling Stockholder or, in the case of an estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or in the case of a partnership or corporation, by the dissolution of such partnership or corporation, or by the occurrence of any other event; if any individual Selling Stockholder or any such executor or trustee should die or become incapacitated, or if any such estate or trust should be terminated, or if any such partnership or corporation should be dissolved, or

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if any other such event should occur, before the delivery of the Shares hereunder, certificates representing the Shares shall be delivered by or on behalf of the Selling Stockholders in accordance with the terms and conditions of this Agreement, of the International Underwriting Agreement and of the Custody Agreement; and actions taken by the Attorneys-in-Fact pursuant to the Powers of Attorney shall be as valid as if such death, incapacity, termination, dissolution or other event had not occurred, regardless of whether or not the Custodian, the Attorneys-in-Fact, or any of them, shall have received notice of such death, incapacity, termination, dissolution or other event.

2. Subject to the terms and conditions herein set forth, (a) each of the Selling Stockholders agrees, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from each of the Selling Stockholders at a purchase price per share of \$        the number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by each of the Selling Stockholders as set forth opposite their respective names in Schedule II hereto by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all the Underwriters from all the Selling Stockholders hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, each of the Selling Stockholders agrees, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from each of the Selling Stockholders, at a purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of the Optional Shares which all of the Underwriters are entitled to purchase hereunder.

The Selling Stockholders, as and to the extent indicated in Schedule II hereto, hereby grant, severally and not jointly, to the Underwriters the right to purchase at their election up to 1,980,000 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering over-allotments in the sale of the Firm Shares. Any such election to purchase Optional Shares shall be made in proportion to the number of Optional Shares to be sold by each Selling Stockholder. Any such election to purchase Optional Shares may be exercised by written notice from you to the Attorneys-in-Fact, given on or prior to November 12, 1996 and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Attorneys-in-Fact otherwise agree in writing, earlier than two business days after the date of such notice or later than November 15, 1996.

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3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms

and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Selling Stockholders, shall be delivered by or on behalf of the Selling Stockholders to Goldman, Sachs & Co. for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of [the Custodian] in immediately available (same-day) funds, all at the office of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on October \_\_, 1996 or such other time and date as you and the Selling Stockholders may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by you in the written notice given by you of the Underwriters' election to purchase such Optional Shares, or such other time and date as you and the Selling Stockholders may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery". Such certificates will be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery at the office of Goldman, Sachs & Co.

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross-receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(i) hereof, will be delivered at the offices of Sullivan & Cromwell, 125 Broad Street, New York, New York 10004 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at each Time of Delivery. A meeting will be held at the Closing Location at 3:00 p.m., New York City time, on the New York Business Day next preceding each Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of Delivery unless approved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when the Registration Statement, or any

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amendment thereto, has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Shares; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions in the United States as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify you and upon your request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many

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copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c)), an earning statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including at the option of the Company Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 90 days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than (i) pursuant to employee stock option and purchase plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Agreement, or (ii) the issuance of Stock in connection with the acquisition by the Company of the business, assets or capital stock of another company or pursuant to a purchase, business combination or merger agreement, pursuant to which, in any single transaction, not more than 25,000,000 shares of Common Stock are issued or exchanged) which are substantially similar to the Stock, or which are convertible or exchangeable for securities which are substantially similar to the Stock, without your prior written consent;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flow of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of three years from the effective date of the

Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission);

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(h) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

6. The Company covenants and agrees with each of the Selling Stockholders and with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the International Underwriting Agreement, the Agreement between Syndicates, the Selling Agreements, the Blue Sky Memorandum and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (v) the cost of preparing stock certificates; (vi) the cost and charges of any transfer agent or registrar; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. Each of the Selling Stockholders covenants and agrees with the Company and the Several Underwriters that such Selling Stockholder will pay or cause to be paid all costs and expenses incident to the performance of such Selling Stockholder's obligations hereunder which are not otherwise specifically provided for in this Section, including (i) any fees and expenses of counsel for such Selling Stockholder, (ii) such Selling Stockholder's pro rata share of the fees and expenses of the Attorneys-in-Fact and the Custodian, and (iii) all expenses (including discounts, commissions and fees of the Underwriters, selling brokers and dealers) and taxes incident to the sale and delivery of the Shares to be sold by such Selling Stockholder to the Underwriters hereunder. In connection with clause (b)(iii) of the preceding sentence, Goldman, Sachs & Co. agree to pay New York State stock transfer tax, and such Selling Stockholder agrees to reimburse Goldman, Sachs & Co. for associated carrying costs if such tax payment is not rebated on the day of payment and for any portion of such tax payment not rebated. It is understood, however, that, except as provided in this Section, Section 8 and Section 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and of the Selling Stockholders herein are, at and as of such Time of Delivery, true and correct, the condition

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that the Company and the Selling Stockholders shall have performed all of its and their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Sullivan & Cromwell, counsel for the Underwriters, shall have furnished to you such opinion or opinions, dated such Time of Delivery, with respect to the incorporation of the Company, the validity of the Shares being delivered at such Time of Delivery, the Registration Statement, the Prospectus, and other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) (i) Amy Lipton, Esq., General Counsel of the Company, shall have furnished to you her written opinion (a draft of each such opinion is attached as Annex I(a) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(A) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company, provided that such counsel shall state that they believe that both you and she are justified in relying upon such opinions and certificates and shall attach executed copies of each such opinion or certificate to such counsel's opinion);

(B) Each Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of each such Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and (except for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company or its subsidiaries, provided that

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such counsel shall state that she believe that both you and they are justified in relying upon such opinions and certificates and shall attach executed copies of each such opinion or certificate to such counsel's opinion);

(C) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole; and, to the best of such counsel's knowledge, no such proceedings are overtly threatened or contemplated by governmental authorities (it being understood that such counsel need make no inquiry or independent investigation of such governmental authorities as to such matters) or overtly threatened by others;



(D) The compliance by the Company with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties;

(E) The documents incorporated by reference in the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and the notes thereto and the other financial data included in the Registration Statement or the Prospectus as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and although such counsel has not independently verified and is not passing upon and assumes no responsibility for the accuracy, completeness or fairness of the statements contained in the documents incorporated by reference in the Prospectus, no facts have come to such counsel's attention which lead such counsel to believe that any of such documents, when such documents became effective or were so filed, as the case may be, contained, in the case of a registration statement which became effective under the Act, an untrue statement of a material fact, or omitted to state a material fact

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required to be stated therein or necessary to make the statements therein not misleading, or, in the case of other documents which were filed under the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading (other than the financial statements and notes thereto and the other financial data included in the documents incorporated by reference in the Prospectus as to which counsel need express no opinion or belief);

(F) The statements made in the Prospectus under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources; Inflation; Seasonality", and "Selling Stockholders" insofar as they purport to constitute summaries of the provisions of the documents therein described are accurate and correct in all material respects, and the description of capital stock of the Company contained in the Company's Registration Statements on Form 8-A, as amended, referred to under the caption "Incorporation of Certain Documents by Reference", insofar as they purport to constitute summaries of the terms of the Stock and other capital stock of the Company, are accurate and correct in all material respects;

(G) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements and the notes thereto and the other financial data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder, although such counsel has not independently verified and is not passing upon and assumes no responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, except for those covered by her opinion in subsection (F) of this Section 7(c); no facts have come to such counsel's attention which lead such counsel to believe that, as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to such Time of Delivery (other than the financial statements and the notes thereto and the other financial data included in the Registration Statement or the Prospectus, as to which such counsel need

express no opinion or belief) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and the notes thereto and the other financial data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion or belief) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery,

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either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and the notes thereto and the other financial data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion or belief) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and they do not know of any amendment to the Registration Statement required to be filed or of any contracts or other documents required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus or required to be described in the Registration Statement or the Prospectus which are not filed or incorporated by reference or described as required (other than the financial statements and notes thereto and the other financial data included in the documents incorporated by reference in the Prospectus as to which counsel need express no opinion or belief); and

(H) Neither the Company nor any of its subsidiaries is in violation of its Certificate of Incorporation or By-laws or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound.

In rendering such opinion, such counsel may state that she expresses no opinion as to the laws of any jurisdiction other than the laws of the State of New York and Illinois, the corporate laws of the State of Delaware and the federal laws of the United States;

(d) Robert T. Tucker, Esq., Secretary of the Company, shall have furnished to you his written opinion (a draft of each such opinion is attached as Annex I(b) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(A) The Company has an authorized capitalization as set forth in the Company's Quarterly Report on Form 10-Q for the six months ended July 31, 1996 as incorporated by reference in the Prospectus, and all of the shares of capital stock of the Company (including the Shares being delivered at such Time of Delivery) have been duly and validly authorized and issued and are fully paid and non-assessable; and the Shares conform to the description of the Stock contained in the Company's Registration Statements on Form 8-A, as amended, referred to under the caption "Incorporation of Certain Documents by Reference" in the Prospectus;

(e) (i) Weil, Gotshal & Manges LLP, counsel for the Company, shall have furnished to you their written opinion (a draft of each such opinion is attached as

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Annex I(c) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(A) The Company has been duly incorporated and is validly existing as a

corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus;

(B) The Company has an authorized capitalization as set forth in the Company's Quarterly Report on Form 10-Q for the six months ended July 31, 1996 as incorporated by reference in the Prospectus, and all of the Shares being delivered at such Time of Delivery have been duly and validly authorized and issued and are fully paid and non-assessable; and the Shares conform to the description of the Stock contained in the Company's Registration Statements on Form 8-A referred to under the caption "Incorporation of Certain Documents by Reference" in the Prospectus;

(C) This Agreement and the International Underwriting Agreement have been duly authorized, executed and delivered by the Company;

(D) The compliance by the Company with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation by the Company of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any New York, Delaware corporate or U.S. Federal law, rule or regulation (other than foreign and state securities or Blue Sky laws, as to which such counsel need not express any opinion, and other than Federal securities laws, as to which such counsel need not express any opinion except as otherwise set forth herein), or any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on the Company or any of its Subsidiaries of which such counsel is aware;

(E) No consent, approval, authorization, order, registration or qualification of or with any New York, Delaware corporate or U.S. Federal governmental authority is required for the consummation by the Company of the transactions contemplated by the Underwriting Agreement and the International Underwriting Agreement, except for the registration under the Act of the Shares, and such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws as to which such counsel need not express any opinion;

(F) The documents filed by the Company with the Commission and referred to under the caption "Certain Documents Incorporated by Reference" in the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and schedules and the notes thereto and the other financial and accounting

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data included in the Registration Statement or the Prospectus or any further amendment or supplement thereto as to which such counsel need express no opinion or belief), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder. Such counsel shall additionally state that it has participated in conferences with directors, officers and other representatives of the Company, representatives of the Selling Shareholders, representatives of the independent public accountants for the Company, representatives of the Underwriters and representatives of counsel for the Underwriters, at which conferences the contents of the Registration Statement and the Prospectus and related matters were discussed, and although such counsel has not independently verified and is not passing upon and assumes no responsibility for the accuracy, completeness or fairness of the statements contained in such documents, no facts have come to such counsel's attention which lead such counsel to believe that any of such documents, when such documents became effective or were so filed, as the case may be, contained, in the case of a registration statement which became effective under the Act, an untrue statement of a material fact, or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or, in the case of other documents which were filed under the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading (other than the financial statements and schedules and notes thereto and the other financial and accounting data included in the documents incorporated by

reference in the Prospectus as to which counsel need express no opinion or belief);

(G) The description of the Stock of the Company, contained in the Company's Registration Statements on Form 8-A, as amended, referred to under the caption "Incorporation of Certain Documents by Reference", insofar as they purport to constitute summaries of the terms of the Stock, and the statements set forth in the International Prospectus under the caption "Certain United States Federal Tax Consequences to Non-U.S. Stockholders" insofar as they purport to summarize the provisions of the laws referred to therein, are accurate and correct in all material respects; and

(H) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements and schedules and related notes thereto and the other financial and accounting data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion or belief) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder. Such counsel shall additionally state that it has participated in conferences with directors, officers and other representatives of the Company, representatives of the

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Selling Stockholders, representatives of the independent public accountants for the Company, representatives of the Underwriters and representatives of counsel for the Underwriters, at which conferences the contents of the Registration Statement and the Prospectus and related matters were discussed, and although such counsel has not independently verified and is not passing upon and assumes no responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, except for those covered by their opinion in subsection (G) of this Section 7(d); no facts have come to such counsel's attention which lead such counsel to believe that the Registration Statement, as of its effective date, or any further amendment thereto made by the Company prior to such Time of Delivery (other than the financial statements and schedules and the related notes thereto and the other financial and accounting data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion or belief) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of its date, or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and schedules and the related notes thereto and the other financial and accounting data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion or belief) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading (it being understood that such counsel express no view with respect to the financial statements and related notes, and the other financial and accounting data included in the Registration Statement or Prospectus) or that, as of such Time of Delivery, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and the notes thereto and the other financial data included in the Registration Statement or the Prospectus, as to which such counsel need express no opinion or belief) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading (it being understood that such counsel express no view with respect to the financial statements and related notes, and the other financial and accounting data included in the Registration Statement or Prospectus); and to such counsel's knowledge, there are no contracts or other documents of a character required to be filed or incorporated by reference as an exhibit to the Registration Statement or required to be described or incorporated by reference in the Registration Statement or the Prospectus which were not filed, incorporated by reference or described as required (other than the financial statements and notes thereto and the other financial data included in the documents incorporated by reference in the Prospectus as to which counsel need express no opinion or belief).

In rendering such opinion, such counsel may state that they express no opinion as to the laws of any jurisdiction other than the laws of the State of New York, the corporate laws of the State of Delaware and the federal laws of the United States;

(e) Gibson, Dunn & Crutcher, counsel for the Selling Stockholders, as indicated in Schedule II, shall have furnished to you their written opinion with respect to each of the Selling Stockholders (a draft of each such opinion is attached as Annex I(d) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) A Power of Attorney and a Custody Agreement have been duly executed and delivered by such Selling Stockholder and constitute valid and binding agreements of such Selling Stockholder in accordance with their terms;

(ii) This Agreement and the International Underwriting Agreement have been duly authorized, executed and delivered by such Selling Stockholder; and the sale of the Shares to be sold by such Selling Stockholder hereunder and thereunder and the compliance by such Selling Stockholder with all of the provisions of this Agreement and the International Underwriting Agreement, the Power of Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which such Selling Stockholder is a party or by which such Selling Stockholder is bound or to which any of the property or assets of such Selling Stockholder is subject, except for such conflicts, breaches, violations or defaults that will not have a material adverse effect on the Company and its subsidiaries taken as a whole or on the transactions contemplated hereby or by the International Underwriting Agreement, nor will such action result in any violation of the provisions of or the trust agreement of such Selling Stockholder if such Selling Stockholder is a trustee, or the Articles of Partnership of such Selling Stockholder if such Selling Stockholder is a partnership, or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over such Selling Stockholder or the property of such Selling Stockholder;

(iii) No consent, approval, authorization or order of any court known to such counsel or governmental agency or body is required for the consummation of the transactions contemplated by this Agreement and the International Underwriting Agreement in connection with the Shares to be sold by such Selling Stockholder hereunder and under the International Underwriting Agreement, except such as have been obtained under the Act (as to which such counsel need express no opinion) and such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of such Shares by the Underwriters and the International Underwriters (as to which such counsel need express no opinion); and

(iv) Upon payment for and delivery of the Shares in accordance with the terms of this Agreement and the International Underwriting Agreement, the Underwriters and the International Underwriters shall have acquired such Shares, free and clear of all liens, encumbrances, equities or claims, assuming the Underwriters and International Underwriters are acquiring such Shares in good faith and without notice of any such lien, encumbrance, equity or claim or any other adverse claim within the meaning of the Uniform Commercial Code.

In rendering such opinion, such counsel may state that they express no opinion as to the laws of any jurisdiction other than the laws of the State of California, the corporate laws of the State of Delaware and the federal laws of the United States and in rendering the opinion in subparagraphs (ii) and (iii) such counsel may rely upon a certificate of such Selling Stockholder in respect of matters of fact as to (i) ownership of and liens, encumbrances, equities or claims on the Shares sold by such Selling Stockholder, (ii) indentures, mortgages, deeds of trust, loan agreements or other agreements

or instruments to which such Selling Stockholder is a party or to which the Shares are subject and (iii) the existence of any order, writ or injunction to which the Selling Stockholder or the Shares are subject, provided that such counsel shall state that they believe that both you and they are justified in relying upon such certificate and shall attach an executed copy of such certificate to such opinion;

(f) On the date of the Prospectus at a time prior to the execution of this Agreement, at 10:00 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Ernst & Young LLP shall have furnished to you a letter or letters, dated the respective date of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex II(a) hereto; on the date of the Prospectus at a time prior to the execution of this Agreement, at 10:00 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Deloitte & Touche LLP, KPMG Peat Marwick LLP and Price Waterhouse LLP shall have furnished to you letters, dated such date, in form and substance satisfactory to you, to the effect set forth in Annexes II(b), (c) and (d), respectively, hereto; the executed copies of the letters delivered prior to the execution of this Agreement are attached as Annex III(a), (b), (c) and (d) hereto, respectively, and a draft of the form of letters to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery are attached as Annexes IV(a), (b), (c) and (d) hereto, respectively;

(g)(i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus, there shall not have been any change in the

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capital stock (other than increases in the outstanding common stock of the Company as a result of the issuance of stock pursuant to any of the Company's existing stock option plans or employee stock purchase plans or upon the conversion of convertible securities outstanding on the date of this Agreement, in accordance with the descriptions of such plans and convertible securities in the Prospectus) or long-term debt or (other than any increase of less than \$20,000,000 incurred in the ordinary course of business of the Company and its subsidiaries or any decrease) short-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the business, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(h) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; or (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iii) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated by the Prospectus;

(i) The Shares to be sold by the Selling Stockholders at such Time of

Delivery shall have been duly listed on the New York Stock Exchange;

(j) The Company and the Selling Stockholder shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company and of the Selling Stockholders, respectively, satisfactory to you as to the accuracy of the representations and warranties of the Company and the Selling Stockholders, respectively, herein at and as of such Time of Delivery, as to the performance by the Company and the Selling Stockholders of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, and as to such other matters as you may reasonably request, and the Company shall have furnished or caused to be furnished certificates as to the matters set forth in subsections (a) and (g) of this Section, and as to such other matters as you may reasonably request; and

(k) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may

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become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein or by a Selling Stockholder expressly for use in the preparation of answers therein to Item 7 of Form S-3.

(b) Each of the Selling Stockholders will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that such Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein; provided, however that the liability of each of the Selling Shareholders pursuant to this subsection (b) shall not

exceed the product of the number of Shares sold by such Selling Shareholder (including any Optional Shares) and the initial public offering price as set forth in the Prospectus.

(c) Each Underwriter will indemnify and hold harmless the Company and each Selling Stockholder against any losses, claims, damages or liabilities to which the Company or such Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based

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upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use therein; and will reimburse the Company and each Selling Stockholder for any legal or other expenses reasonably incurred by the Company or such Selling Stockholder in connection with investigating or defending any such action or claim as such expenses are incurred.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to an y indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (which shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation.

(e) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party, and, in addition, if each indemnifying party is a Selling Stockholder, the Company, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportions as is appropriate to reflect not only (i) the relative benefits received by the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Shares but also (ii) the relative fault of the Company, the Selling Stockholders and the Underwriters in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of



the Prospectus. The relative fault shall be determined by reference to, among other things, whether the indemnified party failed to give notice required under subsection (d) above and whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, each of the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The obligations of the Company and the Selling Stockholders under this Section 8 shall be in addition to any liability which the Company and the respective Selling Stockholders may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Selling Stockholders shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Selling Stockholders that you have so arranged for the purchase of such Shares, or the Selling Stockholders notify you that they have so arranged for the purchase of such Shares, you or the Selling Stockholders shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or

the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Selling Stockholders shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder (at such Time of Delivery) and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Selling Stockholders shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Selling Stockholders to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company or the Selling Stockholders, except for the expenses to be borne by the Company and the Selling Stockholders and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Selling Stockholders and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any of the Selling Stockholders, or any officer or director or controlling person of the Company, or any controlling person of any Selling Stockholder, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, neither the Company nor the Selling Stockholders shall then be under any liability to any Underwriter except as provided in Section 6 and Section 8 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Selling Stockholders as provided herein, each of the Selling Stockholders pro rata (based on the number of Shares to be sold by such Selling Stockholder hereunder) will reimburse the Underwriters through you for all out-of-pocket

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expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholders shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Section 6 and Section 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives; and in all dealings with any Selling Stockholder hereunder, you and the Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of such Selling Stockholder made or given by any or all of the Attorneys-in-Fact for such Selling Stockholder.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex

or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Registration Department; if to any Selling Stockholder shall be delivered or sent by mail, telex or facsimile transmission to counsel for such Selling Stockholder at its address set forth in Schedule II hereto; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholders by you upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and the Selling Stockholders and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company, any Selling Stockholder or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding, please sign and return to us eight (8) counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Company and each of the Selling Stockholders. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (U.S. Version), the form of which shall be furnished to the Company and the Selling Stockholders for examination, upon request, but without warranty on your part as to the authority of the signers thereof.

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Any person executing and delivering this Agreement as Attorney-in-Fact for a Selling Stockholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such Selling Stockholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

CUC International Inc.

By: \_\_\_\_\_  
Name: Amy N. Lipton  
Title: Sr. VP & General Counsel

Robert M. Davidson  
Janice G. Davidson  
Robert M. Davidson Charitable  
Remainder Unitrust  
Janice G. Davidson Charitable  
Remainder Unitrust  
The John R. Davidson Trust  
The Elizabeth Davidson Trust  
The Emilie A. Davidson Trust

By: \_\_\_\_\_  
Name:  
Title: Attorney-in-Fact

As Attorney-in-Fact acting on behalf  
of each of the Selling Stockholders  
named in Schedule II to this Agreement.

Accepted as of the date hereof

Goldman, Sachs & Co.  
Morgan Stanley & Co, Incorporated  
Bear Stearns & Co. Inc.  
Donaldson, Lufkin & Jenrette  
Securities Corporation,  
Smith Barney Inc.,

By: \_\_\_\_\_  
(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

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#### SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased -----	Number of Optional
		Shares to be Purchased if Maximum Option Exercised -----
Goldman, Sachs & Co. ....		

Morgan Stanley & Co, Incorporated .....

Bear Stearns & Co. Inc. ....

Donaldson, Lufkin & Jenrette Securities  
Corporation.....

Smith Barney Inc. ....

Total .....	----- 13,200,000 =====	----- 1,980,000 =====
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# SCHEDULE II

	Total Number of Firm Shares to be Sold -----	Number of Optional Shares to be Sold if Maximum Option Exercised -----
The Selling Stockholder(s):		
Robert M. Davidson	240,000	0
Janice G. Davidson	240,000	0
Robert M. Davidson Charitable Remainder Unitrust	6,000,000	990,000
Janice G. Davidson Charitable Remainder Unitrust	6,000,000	990,000
The John R. Davidson Trust	240,000	0
The Elizabeth Davidson Trust	240,000	0
The Emilie A. Davidson Trust	240,000	0
Total .....	13,200,000 =====	1,980,000 =====

- -----

(a) This Selling Stockholder is represented by Gibson, Dunn & Crutcher, and has appointed [NAME OF ATTORNEYS-IN-FACT (NOT LESS THAN TWO)], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.

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ANNEX I (a)

[Form of Opinion of Amy Lipton, Esq.]

ANNEX I (b)

[Form of Opinion of Robert T. Tucker, Esq.]

ANNEX I (c)

[Form of Opinion of Weil, Gotshal & Manges]

ANNEX I (d)

[Form of Opinion of Gibson, Dunn & Crutcher]

ANNEX II (a)

Pursuant to Section 7(f) of the Underwriting Agreement, Ernst & Young LLP shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules audited by them and included or incorporated by reference in the Registration Statement or the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act or the Exchange Act, as applicable, and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the consolidated interim financial statements;

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows or included in the Company's Quarterly Report on Form 10-Q incorporated by reference into the Prospectus; and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi) (A) below comply as to form in all material respects with the applicable accounting requirements of the Exchange Act as it applies to Form 10-Q and the related published rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act as it applies to Form 10-Q and the related published rules and regulations;

(iv) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects with the disclosure requirements of Item 301 of Regulation S-K;

(v) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements, a reading of the latest available minutes of the Company and its subsidiaries since the date of the

latest audited financial statements included or incorporated by reference in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included or incorporated by reference in the Company's Quarterly Reports on Form 10-Q incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act as it applies to Form 10-Q and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with the basis for the audited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included or incorporated by reference in the Company's Annual Report on Form 10-K for the most recent fiscal year;

(B) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest balance sheet included or incorporated by reference in the Prospectus) or any increase in the consolidated long-term debt or short-term debt of the Company and its subsidiaries, or any decreases in consolidated net current assets or net assets or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included or incorporated by reference in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(C) for the period from the date of the latest financial statements included or incorporated by reference in the Prospectus to the specified date referred to in Clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vi) In addition to the audit referred to in their report(s) included or incorporated by reference in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (iv) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus (excluding documents incorporated by reference) or in Part II of, or in

exhibits and schedules to, the Registration Statement specified by the Representatives or in documents incorporated by reference in the Prospectus specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

ANNEX II (b)

Pursuant to Section 7(f) of the Underwriting Agreement, Deloitte & Touche LLP shall furnish letters to the Underwriters to the effect that:

(i) As of \_\_\_\_\_, 1996, and during the period covered by the financial statements on which they reported, they were independent certified public accountants with respect to Sierra On-Line, Inc. and subsidiaries ("Sierra") within the meaning of the Act and the applicable published rules and regulations thereunder.

(ii) They have audited the financial statements of Sierra that Ernst & Young LLP rely on or reference in Ernst & Young LLP's letters delivered pursuant to Section 7(e) and their report dated October \_\_\_\_\_, 1996.]

(iii) As of \_\_\_\_\_, 1996, and during the period covered by the financial statements on which they reported, they were independent certified public accountants with respect to Advance Ross Corporation and subsidiaries ("Advance") within the meaning of the Act and the applicable published rules and regulations thereunder.

(iv) They have audited the financial statements of Advance that Ernst & Young LLP rely on or reference in Ernst & Young LLP's letters delivered pursuant to Section 7(e) and their report dated October \_\_\_\_\_, 1996.

ANNEX II (c)

Pursuant to Section 7(f) of the Underwriting Agreement, KPMG Peat Marwick LLP shall furnish letters to the Underwriters to the effect that:

(i) As of \_\_\_\_\_, 1996, and during the period covered by the financial statements on which they reported, they were independent certified public accountants with respect to Davidson & Associates, Inc. ("Davidson") within the meaning of the Act and the applicable published rules and regulations thereunder.

(ii) They have audited the financial statements of Davidson that Ernst & Young LLP rely on or reference in Ernst & Young LLP's letters delivered pursuant to Section 7(e) and their report dated October \_\_\_\_\_, 1996.

ANNEX II (d)

Pursuant to Section 7(f) of the Underwriting Agreement, Price Waterhouse LLP shall furnish letters to the Underwriters to the effect that:

(i) As of \_\_\_\_\_, 1996, and during the period covered by the financial statements on which they reported, we were independent certified public



accountants with respect to Ideon Group, Inc. ("Ideon") within the meaning of the Act and the applicable published rules and regulations thereunder.

(ii) They have audited the financial statements of Ideon that Ernst & Young LLP rely on or reference in Ernst & Young LLP's letters delivered pursuant to Section 7(e) and their report dated October , 1996.

S&C Draft of October 9, 1996

CUC INTERNATIONAL INC.

COMMON STOCK  
PAR VALUE \$.01 PER SHARE

-----  
UNDERWRITING AGREEMENT  
(INTERNATIONAL VERSION)  
-----

October \_\_, 1996

Goldman Sachs International,  
Morgan Stanley & Co.  
International Limited,  
Bear, Stearns International Limited,  
Donaldson, Lufkin & Jenrette  
Securities Corporation,  
Smith Barney Inc.,  
As representatives of the several Underwriters  
named in Schedule I hereto,  
c/o Goldman Sachs International Limited,  
Peterborough Court,  
133 Fleet Street,  
London EC4A 2BB,  
England.

Dear Sirs:

Certain stockholders named in Schedule II hereto (the "Selling Stockholders") of CUC International Inc., a Delaware corporation (the "Company"), propose, subject to the terms and conditions stated herein, to sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 3,300,000 shares (the "Firm Shares") and, at the election of the Underwriters, up to 495,000 additional shares (the "Optional Shares") of Common Stock, par value \$.01 per share ("Stock"), of the Company (the Firm Shares and the Optional Shares which the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares").

It is understood and agreed to by all parties that the Selling Stockholders are concurrently entering into an agreement, a copy of which is attached hereto (the "U.S. Underwriting Agreement"), providing for the sale by the Selling Stockholders of up to a total of 15,180,000 shares of Stock (the "U.S. Shares"), including the over-allotment option thereunder, through arrangements with certain underwriters in the United States (the "U.S. Underwriters"), for whom Goldman, Sachs & Co. Morgan Stanley & Co. Incorporated, Bear,

Stearns & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc., are acting as representatives. Anything herein or therein to the contrary notwithstanding, the respective closings under this Agreement and the U.S. Underwriting Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the U.S. Underwriters are simultaneously entering into an Agreement between U.S. and International Underwriting Syndicates (the "Agreement between the Syndicates") which provides, among other things, for the transfer of shares of Stock between the two syndicates and for consultation by the Lead Managers hereunder with

Goldman, Sachs & Co. prior to exercising the rights of the Underwriters under Section 7 hereof. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the U.S. Shares. The latter form of prospectus will be identical to the former except for certain substitute pages. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as context may otherwise require, references hereinafter to the Shares shall include all the shares of Stock which may be sold pursuant to either this Agreement or the U.S. Underwriting Agreement, and references herein to any prospectus whether in preliminary or final form, and whether as amended or supplemented, shall include both the U.S. and the international versions thereof.

In addition, this Agreement incorporates by reference certain provisions from the U.S. Underwriting Agreement (including the related definitions of terms, which are also used elsewhere herein) and, for purposes of applying the same, references (whether in these precise words or their equivalent) in the incorporated provisions to the "Underwriters" shall be to the Underwriters hereunder, to the "Shares" shall be to the Shares hereunder as just defined, to "this Agreement" (meaning therein the U.S. Underwriting Agreement) shall be to this Agreement (except where this Agreement is already referred to or as the context may otherwise require) and to the representatives of the Underwriters or to Goldman, Sachs & Co. shall be to the addressees of this Agreement and to Goldman Sachs International ("GSI"), and, in general, all such provisions and defined terms shall be applied MUTATIS MUTANDIS as if the incorporated provisions were set forth in full herein having regard to their context in this Agreement as opposed to the U.S. Underwriting Agreement.

1. The Company and each of the several Selling Stockholders hereby make to the Underwriters the same respective representations, warranties and agreements as are set forth in Section 1 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

2. Subject to the terms and conditions herein set forth, (a) each of the Selling Stockholders agrees, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from each of the Selling Stockholders at a purchase price per share of \$\_\_\_\_\_ the number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by each of the Selling Stockholders as set forth opposite their respective names in Schedule II hereto by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all the Underwriters from all the Selling

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Stockholders hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, each of the Selling Stockholders agrees, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from each of the Selling Stockholders, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of the Optional Shares which all of the Underwriters are entitled to purchase hereunder.

The Selling Stockholders, as and to the extent indicated in Schedule II hereto, hereby grant, severally and not jointly, to the Underwriters the right to purchase at their election up to 495,000 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering over-allotments in the sale of the Firm Shares. Any such election to purchase Optional Shares shall be made in proportion to the number of Optional Shares to be sold by each Selling Stockholder. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Attorneys-in-Fact, given within a period of 30 calendar days

after the date of this Agreement and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Attorneys-in-Fact otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by GSI of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus and in the forms of Agreement among Underwriters (International Version) and Selling Agreements, which have been previously submitted to the Company by you. Each Underwriter hereby makes to and with the Company and the Selling Stockholders the representations and agreements of such Underwriter as a member of the selling group contained in Sections 3(d) and 3(e) of the form of Selling Agreements.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Selling Stockholders, shall be delivered by or on behalf of the Selling Stockholders to GSI for the account of such Underwriter, against payment by such Underwriter or on behalf of such Underwriter of the purchase price therefor by certified or official bank check or checks, payable to the order of the Custodian in immediately available (same-day) funds, all at the office of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on October \_\_, 1996 or at such other time and date as you and the Selling Stockholders may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by you in the written notice given by you of the

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Underwriters' election to purchase such Optional Shares, or at such other time and date as you and the Selling Stockholders may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery". Such certificates will be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery at the office of Goldman, Sachs & Co.

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 of the U.S. Underwriting Agreement, including the cross-receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(j) of the U.S. Underwriting Agreement, will be delivered at the offices of Sullivan & Cromwell, 125 Broad Street, New York, New York 10004 (the "Closing Location") at 3:00 p.m., New York City time, on the New York Business Day next preceding each Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company hereby makes with the Underwriters the same agreements as are set forth in Section 5 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

6. The Company, each of the Selling Stockholders, and the Underwriters hereby agree with respect to certain expenses on the same terms as are set forth in Section 6 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

7. Subject to the provisions of the Agreement between Syndicates, the obligations of the Underwriters hereunder shall be subject, in their discretion, at each Time of Delivery to the condition that all representations and warranties and other statements of the Company and the Selling Stockholders herein are, at and as of such Time of Delivery, true and correct, the condition that the Company and the Selling Stockholders shall

have performed all of their respective obligations hereunder theretofore to be performed, and additional conditions identical to those set forth in Section 7 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such

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expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein. or by a Selling Stockholder expressly for use in the preparation of answers therein to Item 7 of Form S-3.

(b) Each of the Selling Stockholders will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that such Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein; PROVIDED, HOWEVER that the liability of each of the Selling Shareholders pursuant to this subsection (b) shall not exceed the product of the number of Shares sold by such Selling Shareholder (including any Optional Shares) and the initial public offering price as set forth in the Prospectus.

(c) Each Underwriter will indemnify and hold harmless the Company and each Selling Stockholder against any losses, claims, damages or liabilities to which the Company or such Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement

or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the

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Company by such Underwriter through GSI expressly for use therein; and will reimburse the Company and each Selling Stockholder for any legal or other expenses reasonably incurred by the Company or such Selling Stockholder in connection with investigating or defending any such action or claim as such expenses are incurred.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation.

(e) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party, and, in addition, if each indemnifying party is a Selling Stockholder, the Company, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportions as is appropriate to reflect not only (i) the relative benefits received by the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Shares but also (ii) the relative fault of the Company, the Selling Stockholders and the Underwriters in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the indemnified party failed to give notice required under subsection (d) above and whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, each of the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (e) were determined by pro rata

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allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of

the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The obligations of the Company and the Selling Stockholders under this Section 8 shall be in addition to any liability which the Company and the respective Selling Stockholders may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Selling Stockholders shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Selling Stockholders that you have so arranged for the purchase of such Shares, or the Selling Stockholders notify you that they have so arranged for the purchase of such Shares, you or the Selling Stockholders shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangement for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such

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Time of Delivery, then the Selling Stockholders shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the

Selling Stockholders shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Selling Stockholders to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company or the Selling Stockholders, except for the expenses to be borne by the Company and the Selling Stockholders and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Selling Stockholders and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company or any of the Selling Stockholders, or any officer or director or controlling person of the Company or any controlling person of any Selling Stockholder, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, neither the Company nor the Selling Stockholders shall then be under any liability to any Underwriter except as provided in Section 6 and Section 8 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Selling Stockholders as provided herein, each of the Selling Stockholders pro rata (based on the number of Shares to be sold by such Selling Stockholder hereunder) will reimburse the Underwriters through GSI for all out-of-pocket expenses approved in writing by GSI, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholders shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Section 6 and Section 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by GSI on behalf of you as the representatives of the Underwriters; and in all dealings with any

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Selling Stockholder hereunder, you and the Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of such Selling Stockholder made or given by any or all of the Attorneys-in-Fact for such Selling Stockholder.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Underwriters in care of GSI, Peterborough Court, 133 Fleet Street, London EC4A 2BB, England, Attention: Equity Capital Markets, Telex No. 887902, facsimile transmission no. (071) 774-1550; if to any Selling Stockholder shall be delivered or sent by mail, telex or facsimile transmission to counsel for such Selling Stockholder at its address set forth in Schedule II hereto; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholders by GSI upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and the Selling Stockholders and, to the extent provided in Section 8 and Section 10 hereof, the officers and directors of the Company and each person who controls the Company, any Selling Stockholder or any Underwriter, and their respective heirs,



executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us eight (8) counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Company and each of the Selling Stockholders. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (International Version), the form of which shall be furnished to the Company and the Selling Stockholders for examination upon request, but without warranty on your part as to the authority of the signers thereof.

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Any person executing and delivering this Agreement as Attorney-in-Fact for a Selling Stockholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such Selling Stockholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

CUC International Inc.

By:-----

Name: Amy N. Lipton

Title: Sr. VP & General Counsel

Robert M. Davidson

Janice G. Davidson

Robert M. Davidson Charitable

Remainder Unitrust

Janice G. Davidson Charitable

Remainder Unitrust

The John R. Davidson Trust

The Elizabeth Davidson Trust

The Emilie A. Davidson Trust

By:-----

Name:

Title: Attorney-in-Fact

As Attorney-in-Fact acting on  
behalf of each of the Selling  
Stockholders named in Schedule II  
to this Agreement.

Goldman Sachs International,  
Morgan Stanley & Co.

International Limited,  
Bear, Stearns International Limited,  
Donaldson, Lufkin & Jenrette  
Securities Corporation,  
Smith Barney Inc.

By: Goldman Sachs International

By:-----  
(Attorney-in-Fact)

On behalf of each of the Underwriters

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SCHEDULE I

Underwriter -----	Total Number of Firm Shares to to be Purchased -----	Number of Optional Shares to be Purchased if Maximum Option Exercised -----
Goldman Sachs International.....		
Morgan Stanley & Co. International Limited.....		
Bear, Stearns International Limited....		
Donaldson, Lufkin & Jenrette Securities Corporation.....		
Smith Barney Inc. ....		
Total.....	----- 3,300,000 =====	----- 495,000 =====

SCHEDULE II

	Total Number of Firm Shares to be Sold -----	Number of Optional Shares to be Sold if Maximum Option Exercised -----
The Selling Stockholder(s):		
Robert M. Davidson(a)	60,000	0
Janice G. Davidson(a)	60,000	0
Robert M. Davidson Charitable Remainder Unitrust(a)	1,500,000	247,500
Janice G. Davidson Charitable Remainder Unitrust(a)	1,500,000	247,500
The John R. Davidson Trust(a)	60,000	0
The Elizabeth Davidson Trust(a)	60,000	0
The Emilie A. Davidson Trust(a)	60,000	0
Total.....	----- 3,300,000 =====	----- 495,000 =====

- -----

(a) This Selling Stockholder is represented by Gibson, Dunn & Crutcher and has appointed [NAME OF ATTORNEYS-IN-FACT (NOT LESS THAN TWO)], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.



Weil, Gotshal & Manges LLP  
(A Limited Liability Partnership Including Professional Corporations)  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000  
Fax: (212) 310-8007

October 9, 1996

The Board of Directors  
CUC International Inc.  
707 Summer Street  
Stamford, CT 06901

Re: CUC International Inc./  
Registration Statement  
on Form S-3  
(No. 333-13537)  
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Ladies and Gentlemen:

We have acted as counsel to CUC International Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing of the Company's Registration Statement on Form S-3 (No 333-13537) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the underwritten resale by the Selling Stockholders (in the manner described in the prospectus (the "Prospectus") under the caption "Underwriting" contained in the Registration Statement) of up to an aggregate of 18,975,000 shares of Common Stock, \$.01 par value (the "Common Stock"), of the Company (which includes for this purpose options granted to the U.S. Underwriters and the International Underwriters to purchase up to an aggregate of 2,475,000 additional shares of Common Stock, solely to cover over-allotments).

In so acting, we have reviewed the Registration Statement, including the Prospectus contained therein, and the Restated Certificate of Incorporation and the Bylaws of the Company in effect on the date hereof. In addition, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such inquiries of such officers and representatives, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Company.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that:

1. The Company is a corporation duly incorporated and validly existing under the laws of the State of Delaware.

The Board of Directors  
CUC International Inc.  
October 9, 1996

2. The shares of Common Stock to be sold by the Selling Stockholders in the manner described under the captions "Selling Stockholders" and "Underwriting" in the Prospectus contained in the Registration Statement have been duly authorized and, after giving effect to the Company's three-for-two "split" of the Common Stock payable on October 21, 1996 to holders of record of the Common Stock on October 7, 1996, will be, validly issued, fully paid for and nonassessable.

The opinions expressed herein are limited to the corporate laws of the State of Delaware, and we express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. These opinions may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without our prior written consent.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the references to this firm under the heading "Validity of Common Stock" in the Prospectus, without admitting that we are "experts" under the Securities Act or the rules and regulations promulgated thereunder with respect to any part of the Registration Statement or Prospectus contained, or any of the documents incorporated by reference, therein.

Very truly yours,

/s/ Weil, Gotshal & Manges LLP

CUC INTERNATIONAL INC. AND SUBSIDIARIES

EXHIBIT 15--LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION

October 4, 1996

Shareholders and Board of Directors  
CUC International Inc.

We are aware of the incorporation by reference in the Registration Statement (Amendment No. 1 to Form S-3) of CUC International Inc. for the registration of 12,650,000 shares (pre-stock split) of its common stock of our reports dated May 22, 1996 and September 4, 1996 relating to the unaudited condensed consolidated interim financial statements of CUC International Inc. that are included in its Quarterly Reports on Form 10-Q for the quarters ended April 30, 1996 and July 31, 1996.

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

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Stamford, Connecticut

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Amendment No. 1 to Form S-3) and related Prospectus of CUC International Inc. for the registration of 12,650,000 shares (pre-stock split) of its common stock and to the incorporation by reference therein of our report dated March 19, 1996, with respect to the consolidated financial statements of CUC International Inc. included in its Annual Report on Form 10-K for the year ended January 31, 1996 and our report dated September 12, 1996 with respect to the supplemental consolidated financial statements of CUC International Inc. included in its Current Report on Form 8-K dated July 24, 1996, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Stamford, Connecticut  
October 4, 1996

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement of Amendment One to Form S-3 (No. 333-13537) of CUC International Inc. of our reports dated February 2, 1996 and December 5, 1994, relating to the consolidated financial statements of Ideon Group, Inc., which appears in the Current Report on Form 8-K of CUC International Inc. filed with the Securities and Exchange Commission on or about September 12, 1996. We also consent to the reference to us under the heading "Experts."

/s/ Price Waterhouse LLP  
PRICE WATERHOUSE LLP  
Tampa, Florida  
October 4, 1996



ACCOUNTANTS' CONSENT

The Board of Directors  
Davidson & Associates, Inc.

We consent to the incorporation by reference in this Amendment No. 1 to the registration statement on Form S-3 (No. 333-13537) of our report dated February 21, 1996 with respect to the consolidated balance sheets of Davidson & Associates, Inc. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1995, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG Peat Marwick LLP

Long Beach, California  
October 4, 1996

INDEPENDENT AUDITORS' CONSENT

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We consent to the incorporation by reference in this Amendment No. 1 to Registration Statement of CUC International Inc. on Form S-3 of our report dated June 24, 1996 (relating to the consolidated financial statements of Sierra On-Line, Inc. and subsidiaries for the year ended March 31, 1996, not presented separately therein), appearing in the CUC International Inc. Current Report on Form 8-K (filed with the Securities and Exchange Commission on September 17, 1996), and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP  
Seattle, Washington

October 8, 1996

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Amendment No. 1 to Registration Statement No. 333-13537 of CUC International Inc. on Form S-3 of our report dated March 13, 1995 (relating to the financial statements of Advance Ross Corporation as of December 31, 1994 and for the years ended December 31, 1994 and 1993, not presented separately therein), appearing in the CUC International Inc. Form 8-K (filed with the Securities and Exchange Commission on September 17, 1996) and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP  
Chicago, Illinois

October 4, 1996