

McGRAW-HILL, INC.
DIRECTORS RETIREMENT PLAN

ARTICLE I

INTRODUCTION

In order to assist in the attraction and retention of the best-qualified persons available to serve on the Board of Directors of McGraw-Hill, Inc., this Directors Retirement Plan is adopted to provide retirement benefits to members of the Board of Directors who are not employees of McGraw-Hill, Inc.

ARTICLE II

DEFINITIONS

For the purpose of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise.

Section 2.01 "Actuarial Equivalent" shall mean a benefit of equivalent value when computed on the basis of 7% interest compounded annually and the 1971 group mortality tables (determined separately by sex). In the event of a Change of Control, the definitions of this Section 2.01 cannot be changed.

Section 2.02 "Board" means the Board of Directors of McGraw-Hill, Inc.

Section 2.03 "Change of Control" means any of the following events:

(a) Unless otherwise determined prior to such acquisition by a two-thirds majority of the Incumbent Non-Employee Directors, the acquisition, in one transaction or a series of transactions, by any person (including a group, within the meaning of Section 13(d) (3) or 14(d) (2) of the Securities Exchange Act of 1934, as amended), other than the Company or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 20% or more of the combined voting power of the Company's then outstanding voting securities;

(b) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof, unless the election or

the nomination for the election by shareholders of the Company of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period; or

(c) Unless otherwise determined prior to such event by a two-thirds majority of the Incumbent Non-Employee Directors, approval by shareholders of the Company of a merger, consolidation, liquidation or dissolution of the Company, or of the sale of all or substantially all of the assets of the Company.

For purposes of subsections (a) and (c) of this Section 2.03, the term "Incumbent Non-Employee Director" shall mean, on any given date, any non-employee director on the Board of Directors who has been a director on the Board for the twenty-four months immediately preceding such date or whose most recent election to the Board as director was approved by at least a two-thirds majority of the directors then qualifying as Incumbent Non-Employee Directors.

Section 2.04 "Committee" means the Nominating Committee of the Board.

Section 2.05 "Company" means McGraw-Hill, Inc., its successors, and any organization into which or with which McGraw-Hill, Inc. may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.06 "Disability" means that a physician selected by the Committee has concluded that the Participant is unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

Section 2.07 "Effective Date" means July 1, 1989.

Section 2.08 "Participant" means any member of the Board who becomes a participant under the Plan pursuant to Article III.

Section 2.09 "Plan" means the McGraw-Hill, Inc. Directors Retirement Plan.

Section 2.10 "Retirement Date" means the first day of the month coincident with or immediately following the date the Participant attains age 65.

Section 2.11 "Retainer" means the annual amount payable to members of the Board as compensation for their services in that capacity as of a Participant's Retirement Date (but excluding attendance fees and committee fees).

Section 2.12 "Service" means the period (or periods) during which a person serves as a member of the Board, excluding any portion of the period (or periods) during which such person was also an employee of the Company.

ARTICLE III

PARTICIPATION

Section 3.01 Eligibility for Participation. In addition to the eligibility provisions in Section 4.04(b), any member of the Board on or after the Effective Date who (a) is not an employee of the Company, and (b) has completed at least five years of service, shall become a Participant and thereupon shall become eligible for an annual retirement benefit or a disability benefit in accordance with the provisions of Section 4.01 or 4.02 as applicable.

Section 3.02 Conditions of Payment of Benefits. The eligibility for, and the payment of, benefits under the Plan are conditioned on each of the following subsequent to a Participant ceasing to be a member of the Board and prior to a Change of Control: (a) that the Participant will not become a member of the board of directors of any corporation which engages in any business activity that is in competition with any significant or material business activity engaged in by the Company or any of its subsidiaries, and (b) that the Participant will be available at any reasonable time to advise and consult with the Board or the chief executive officer of the Company.

ARTICLE IV

BENEFITS

Section 4.01 Retirement Benefit. (a) Each Participant who ceases to be a member of the Board on or after his Retirement Date shall receive an annual retirement benefit based on the following percentage of his Retainer:

<u>Years of Service</u>	<u>% of Retainer</u>
5 but less than 6	50
6 but less than 7	60
7 but less than 8	70
8 but less than 9	80
9 but less than 10	90
10 or more	100

(b) A Participant's retirement benefit shall be paid in equal monthly installments for the life of the Participant, commencing on the first day of the month immediately following the date the Participant ceases to be a member of the Board.

Section 4.02 Disability Benefit. (a) In the event a Participant ceases to be a member of the Board prior to his Retirement Date by reason of Disability, the Participant shall be entitled to receive disability benefits as determined under Section 4.01(a).

(b) The Participant's disability benefit shall be paid in equal monthly installments for the life of the Participant, commencing on the first day of the month immediately following the date the Participant ceases to be a member of the Board.

Section 4.03 Joint and Survivor Form of Payment. Notwithstanding the provisions of Sections 4.01 and 4.02, a Participant may, by written election to the Committee at least 30 days prior to the date he ceases to be a member of the Board, elect to receive payment of his retirement or disability benefit in the joint and survivor form. Such form, which shall be the Actuarial Equivalent of the normal form of payment under Section 4.01 or 4.02, as applicable, shall provide for a reduced amount paid to the Participant in equal monthly installments for the Participant's life, with payments continuing to the Participant's spouse after the death of the Participant, for the life of the spouse, in an amount equal to 50% of the monthly installments paid to the Participant. No survivor benefits shall be payable if the Participant dies before he ceases to be a member of the Board.

Section 4.04 Acceleration of Payment in Event of Change of Control. (a) In lieu of the benefits payable under Sections 4.01 through 4.03, in the event of a Change of Control, (i) each Participant or beneficiary who is then receiving a retirement benefit or a disability benefit shall be paid immediately upon such change of control a lump sum payment equal to the Actuarial Equivalent of such benefit measured as

of the date of the Change of Control; (ii) each other Participant who does not continue as a member of the Board shall receive an immediate lump sum payment equal to the Actuarial Equivalent of the retirement benefit to which that Participant would be entitled commencing at that Participant's Retirement Date, based on the years of Service completed by the Participant as of the date that Participant ceases to be a member of the Board; and (c) each other Participant who continues as a member of the Board shall receive a lump sum payment, at the time he ceases to be a member of the Board, equal to the Actuarial Equivalent of the retirement benefit or disability benefit to which that Participant would be entitled commencing at that Participant's Retirement Date, or, in the case of Disability, the date that Participant ceases to be a member of the Board, based on the years of Service completed by the Participant as of the date that Participant ceases to be a member of the Board.

(B) In the event of a Change of Control, any member of the Board as of the date of the Change of Control who (i) is not then a Participant, and (ii) is not an employee of the Company, shall become a Participant on the later of (A) the date the member has completed one year of service, or (B) the date of the Change of Control. If such Participant ceases to be a member of the Board prior to completing 5 years of service, the amount of the lump sum payment equal to the Actuarial Equivalent of the Participant's retirement benefit or disability benefit under Section 4.04(a) above shall be based on the following percentage of his Retainer:

<u>Years of Service</u>	<u>% of Retainer</u>
0 but less than 1	0
1 but less than 2	10
2 but less than 3	20
3 but less than 4	30
4 but less than 5	40

The terms of Sections 6.01 and 6.02 hereof shall not be applicable following a Change of Control of the Company.

The reasonable legal fees and expenses incurred by any Participant to enforce his or her valid rights under this Section shall be paid for by the Company in addition to sums due hereunder.

ARTICLE V

ADMINISTRATION

Section 5.01 Duties of the Committee. The Plan shall be administered by the Committee. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan.

Section 5.02 Binding Effect of Decisions. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan, unless a written appeal is received by the Committee within sixty days of the disputed action. The appeal will be reviewed by the Committee and the decision of the Committee shall be final, conclusive and binding on the Participant and all persons claiming by, through or under the Participant.

ARTICLE VI

AMENDMENT AND TERMINATION OF PLAN

Section 6.01 Amendment. The Board may at any time amend the Plan in whole or in part; provided, however, that no amendment shall be effective to decrease or restrict any benefits then being paid under the Plan at the time of such amendment.

Section 6.02 Company's Right to Terminate. The Board may at any time terminate this Plan. Upon any such termination, (a) each Participant who is then receiving a retirement benefit or disability benefit shall receive an immediate lump sum payment equal to the Actuarial Equivalent of such benefit as of the date of termination, and (b) each other Participant shall receive a lump sum payment equal to the

Actuarial Equivalent of the retirement benefit to which that Participant would be entitled commencing at that Participant's Retirement Date, based on years of Service completed by the Participant as of such termination.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Unsecured General Creditor. Participants shall have no legal or equitable rights, interest or claims in any property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims or interests in any life insurance policies, annuity contracts or the proceeds therefrom owned or which may be acquired by the Company ("Policies"). Such Policies or other assets of the Company shall not be held under any trust for the benefit of Participants or their Beneficiaries or held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's obligations under the Plan shall be merely unfunded and unsecured promises of the Company to pay money in the future.

Section 7.02 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, an all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 7.03 Normal Retirement Policy for Members of Board. Nothing in this Plan shall be deemed to change or amend the Company's normal retirement policy for non-employee members of the Board which policy provides that no non-employee member shall be elected to, or reelected to, the Board after such member attains age 70.