

# MCGRAW-HILL COMPANIES INC

## FORM DEF 14A (Proxy Statement (definitive))

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

**Filed by the Registrant [X]**

**Filed by a Party other than the Registrant [ ]**

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the  
Commission Only (as permitted by  
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Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-2.

**The McGraw-Hill Companies, Inc.**

(Name of Registrant as Specified In Its Certificate)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

**Payment of Filing Fee (Check the appropriate box):**

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-12.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

1221 Avenue of the Americas  
New York, NY 10020

**The McGraw-Hill Companies [LOGO]**

March 23, 2000

Dear Shareholder:

On behalf of the Board of Directors and management, we cordially invite you to the Annual Meeting of Shareholders to be held Wednesday, April 26, 2000, at 11 A.M., at the principal executive offices of the Corporation, 1221 Avenue of the Americas, New York, New York 10020. In the pages that follow you will find the Notice of Meeting and Proxy Statement describing the formal business to be transacted at this Meeting. Please read them carefully.

At the Annual Meeting, there will be a report to shareholders regarding the operations of The McGraw-Hill Companies, Inc. In addition, time will be made available for shareholders to discuss the formal business items as well as to ask other questions about The McGraw-Hill Companies' operations.

It is important that your shares be voted at the Meeting in accordance with your preference whether or not you plan to attend in person. This year share- holders will have a choice of voting by telephone or by returning the enclosed Proxy Card. A toll-free number is provided for your convenience in the in- structions appearing on the enclosed Proxy Card if you vote by telephone. Oth- erwise, please sign, date and return the Proxy Card in the prepaid envelope provided. Your cooperation in promptly voting will save your Corporation addi- tional solicitation costs and is appreciated. If you do attend the meeting and wish to vote in person, you may withdraw your Proxy at that time.

Sincerely,

*/s/ Harold W. McGraw III*

*Harold W. McGraw III  
Chairman of the Board, President and  
Chief Executive Officer*

1221 Avenue of the Americas  
New York, NY 10020

**The McGraw-Hill Companies [LOGO]**

Notice of Annual Meeting of Shareholders To Be Held April 26, 2000

**To the Shareholders of The McGraw-Hill Companies, Inc.:**

The Annual Meeting of Shareholders of The McGraw-Hill Companies, Inc. (the "Corporation") will be held at the principal executive offices of the Corporation, 1221 Avenue of the Americas, New York, New York 10020, Wednesday, April 26, 2000, at 11 A.M., for the purpose of considering and voting upon the following:

1. Election of four directors;
2. Approval of the Amended and Restated 1993 Employee Stock Incentive Plan;
3. Approval of the Amended and Restated 1996 Key Executive Short-Term Incentive Compensation Plan;
4. Ratification of the appointment of independent auditors for 2000; and
5. Such other business as may properly come before the Meeting or any adjournment thereof.

Information relating to the above matters is set forth in the accompanying Proxy Statement.

In accordance with the By-Laws and resolutions of the Board of Directors, only shareholders of record at the close of business on March 9, 2000 shall be entitled to notice of and to vote at the Meeting.

**By Order of the Board of Directors**

Scott L. Bennett  
Senior Vice President, Associate General  
Counsel and Secretary

New York, New York  
March 23, 2000

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Please sign and return the enclosed proxy in the postage-paid envelope provided, or if you prefer, please follow the instructions on the enclosed proxy card for voting by telephone.

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## **The McGraw-Hill Companies, Inc.**

Annual Meeting of Shareholders  
To Be Held April 26, 2000

### **PROXY STATEMENT**

#### **To the Shareholders of The McGraw-Hill Companies, Inc.:**

This statement is furnished in connection with the solicitation of proxies by the Board of Directors of The McGraw-Hill Companies, Inc. (the "Corporation") for use at the Annual Meeting of Shareholders to be held at 11 A.M. on April 26, 2000, at the principal executive offices of the Corporation, 1221 Avenue of the Americas, New York, New York 10020, and at any adjournment thereof. A Notice of Meeting is attached hereto and a form of proxy is enclosed.

#### **The Proxy**

The persons named as proxies were selected by the Board of Directors of the Corporation and are officers of the Corporation.

When the proxies in the enclosed form are properly executed and returned, the shares they represent will be voted at the Meeting. If a shareholder participates in the Dividend Reinvestment Plan, any proxy given by such shareholder will also govern the voting of all shares held for the shareholder's account under the Dividend Reinvestment Plan, unless contrary instructions are received. Any shareholder giving a proxy has the power to revoke it at any time before it is voted at the Meeting by filing with the Secretary of the Corporation an instrument revoking it or by filing a duly executed proxy bearing a later date.

The cost of soliciting proxies will be borne by the Corporation. The Corporation will request banks and brokers to solicit their customers who have a beneficial interest in the Corporation's shares registered in the names of nominees and will reimburse such banks and brokers for their reasonable out-of-pocket expenses of such solicitations. In addition, officers and full-time employees of the Corporation may solicit proxies by telephone or personal interview. The Corporation has retained Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies. It is estimated the Corporation will pay Georgeson Shareholder Communications Inc. a fee of \$18,000 for these services.

These proxy materials are being mailed to shareholders of the Corporation commencing on March 23, 2000. A copy of the 1999 Annual Report to Shareholders was mailed to shareholders on March 14, 2000.

#### **Voting Securities**

The outstanding securities of the Corporation on March 9, 2000 were 195,546,397 shares of Common Stock, par value \$1 per share, and 1,352 shares of \$1.20 Convertible Preference Stock, par value \$10 per share. Each share of Common Stock and \$1.20 Convertible Preference Stock is entitled to one vote at the Meeting.

#### **Voting Procedures**

Under the New York Business Corporation Law (the "BCL") and the Corporation's Restated Certificate of Incorporation, the presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock and \$1.20 Convertible Preference Stock is necessary to constitute a quorum of shareholders to take action at this Annual Meeting. For these purposes, shares which are present, or represented by a proxy, at the Meeting will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on any particular matter or whether a broker with discretionary authority fails to exercise its discretionary voting authority with respect to any particular matter. Once a quorum of the shareholders is established, under the BCL and the Corporation's Restated Certificate of Incorporation: (A) the directors standing for election as set forth on page 2 must be elected by a plurality of the votes cast (Proposal One); (B) the affirmative vote of the holders of a majority of the votes cast of the Common Stock and \$1.20 Convertible Preference Stock, voting together as a single class, is required to approve the Amended and Restated 1993 Employee Stock Incentive Plan, as described on pages 16 through 20 (Proposal Two); (C) the affirmative vote of the holders of a majority of the votes cast of the Common Stock and \$1.20 Convertible Preference Stock, voting together as a single class, is required to approve the Amended and Restated 1996 Key Executive Short-Term Incentive Compensation Plan, as described on pages 21 through 23 (Proposal Three); and (D) the affirmative vote of the holders of a majority of the votes cast is required to ratify the appointment of the auditors as

described on page 24 (Proposal Four). For voting purposes (as opposed to for purposes of establishing a quorum) abstentions and broker non-votes will have no effect in determining whether any item has been approved.

Votes at the Meeting will be tabulated by two inspectors of election appointed by the Board of Directors.

## 1. ELECTION OF FOUR DIRECTORS

Under the Corporation's Restated Certificate of Incorporation, there are three classes of directors which are to be as equal in number as possible. Four directors, Pedro Aspe, George B. Harvey, Robert P. McGraw and Lois Dickson Rice, were elected in 1998 for three-year terms expiring at the 2001 Annual Meeting. None of these four incumbent directors is standing for re-election at this Meeting.

Three directors, Joseph L. Dionne, Linda Koch Lorimer and Harold W. McGraw III, were elected in 1999 for three-year terms expiring at the 2002 Annual Meeting. Mr. Dionne, a director of the Corporation since 1981, Chief Executive Officer of the Corporation from April 1983 through April 1998, Chairman of the Board from April 1988 through June 1998, and non-executive Chairman of the Board from July 1998 through December 31, 1999, will be leaving the Board after this Annual Meeting. Neither of the other incumbent directors is standing for re-election at this Meeting.

Four directors, Vartan Gregorian, John T. Hartley, James H. Ross and Sidney Taurel, were elected in 1997 for three-year terms expiring at the 2000 Annual Meeting. Mr. Hartley, a director of the Corporation since 1989, will be retiring from the Board after this Meeting, pursuant to the Board of Directors' long-standing retirement age policy. Accordingly, Messrs. Gregorian, Ross and Taurel are to be elected at this Meeting for three-year terms expiring at the 2003 Annual Meeting. In addition, Winfried Bischoff was elected a director on September 29, 1999, by action of the Board of Directors taken pursuant to the Corporation's By-Laws, for a term expiring at the 2000 Annual Meeting. Mr. Bischoff is also to be elected at this Meeting for a two-year term expiring at the 2002 Annual Meeting.

In summary, at this Meeting, Messrs. Gregorian, Ross and Taurel are to be elected for three-year terms expiring at the 2003 Annual Meeting and Mr. Bischoff is to be elected for a two-year term expiring at the 2002 Annual Meeting.

Harold W. McGraw, Jr., a director of the Corporation from 1954 to 1988, Chairman of the Board from 1976 to 1988, and Chief Executive Officer of the Corporation from 1975 to 1983, retired from the Board after the 1988 Annual Meeting pursuant to the Board's retirement age policy. However, in recognition of Mr. McGraw's past service and contributions to the Corporation and to assure his continued close association with the Board and the Corporation, the Board of Directors elected Mr. McGraw permanently to the position of Chairman Emeritus.

## The Board of Directors' Recommendation

Unless otherwise specified by the shareholder, the Board of Directors intends the accompanying proxy to be voted FOR the election of the named four nominees as directors.

The Board of Directors does not contemplate that any nominee will be unable or unwilling to serve as a director. However, if that should occur, the individuals named as the proxies reserve the right to substitute another person as may be selected by the Board of Directors when voting at the Annual Meeting.

Following is information about each of the four nominees for director who are being proposed for election at this Annual Meeting and about each of the six incumbent directors.

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### Nominee for Election as Director for Term Expiring at the 2002 Annual Meeting

Sir Winfried Bischoff (Sir Win), age 58, has been Chairman of Schroders plc, an international investment banking and asset management firm based in Great Britain, since 1995. Prior to that, Sir Win was Chairman of J. Henry Schroder Co. (the London investment bank of Schroders plc) from 1983 to 1995 and Group Chief Executive of Schroders plc from 1984 to 1995. He is Deputy Chairman of Cable and Wireless plc where he has been a director since 1991. He has also been a director of Land Securities plc since 1999. Sir Win has served as a director of the Corporation since September 1999 and is a member of the Audit and Financial Policy Committees.

**[PHOTO OF WINFRIED BISCHOFF]**

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### Nominees for Election as Directors for Terms Expiring at the 2003 Annual Meeting

Vartan Gregorian, age 65, has been since July 1997 the President of Carnegie Corporation of New York, a private philanthropic and grant-making institution. Prior to that he was President of Brown University and a Professor of History at Brown University from 1989 to 1997. He was President and Chief Executive Officer of the New York Public Library from 1981 to 1989. Prior to 1981, Dr. Gregorian taught and held administrative posts at the University of Texas at Austin and at the University of Pennsylvania, where he served as the founding Dean of the Faculty of Arts and Sciences and Provost. Dr. Gregorian is a director of the Institute for Advanced Study, the J. Paul Getty Trust and the Museum of Modern Art (New York). He has served on the boards of many non-profit organizations and foundations. Currently he is President Emeritus of the New York Public Library and Brown University. He was appointed by President Bush to be a member of the Fulbright Commission. He is also a member of the American Philosophical Society and a Fellow of the American Academy of Arts and Sciences. In 1998 President Clinton awarded him the National Humanities Medal. Dr. Gregorian has served as a director of the Corporation since 1990 and is Chairman of the Nominating and Corporate Governance Committee and is a member of the Compensation and Executive Committees.

**[PHOTO OF VARTAN GREGORIAN]**

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James H. Ross, age 61, has been since 1996 Chairman of The Littlewoods Organisation, a private company in Great Britain operating in the retail, home shopping and leisure businesses. Mr. Ross is also Chairman of National Grid plc, a public UK Company with interests in electricity transmission and telecommunications in England, Wales, the United States, Brazil and Argentina. Mr. Ross was Chief Executive and Deputy Chairman of Cable & Wireless plc, an international provider of telecommunications services, between 1992 and 1995. He was a Managing Director of British Petroleum plc, which engages in all phases of the petroleum business, from 1991 to 1992, and Chairman and Chief Executive Officer of BP America Inc., a subsidiary of British Petroleum plc, from 1988 to 1992. Mr. Ross is a director of Schneider Electric and Datacard Inc. He is a trustee of the Cleveland Orchestra. Mr. Ross has served as a director of the Corporation since 1989 and is Chairman of the Financial Policy Committee and is a member of the Executive and Nominating and Corporate Governance Committees.

**[PHOTO OF JAMES H. ROSS]**

Sidney Taurel, age 51, has been Chairman, President and Chief Executive Officer of Eli Lilly and Company, a pharmaceutical company, since January 1999. Mr. Taurel was President and Chief Executive Officer of Eli Lilly and Company from June 1998 through December 1998. Prior to that, Mr. Taurel was President and Chief Operating Officer of Eli Lilly and Company since 1996. He was elected a director of Eli Lilly and Company in 1991. Mr. Taurel joined Eli Lilly and Company in 1971 and has held management positions in the company's operations in Brazil and Europe. He served as President of Eli Lilly International Corporation from 1986 until 1991, as Executive Vice President of the Pharmaceutical Division from 1991 until 1993 and as Executive Vice President of Eli Lilly and Company from 1993 until his appointment in 1996 as President and Chief Operating Officer. Mr. Taurel is a member of the Board of Directors of the Pharmaceutical Research and Manufacturers of America. He also serves on the Board of ITT Industries, Inc. Mr. Taurel is a member of the Board of Overseers of the Columbia Business School and a Trustee of the Indianapolis Museum of Art. Mr. Taurel has served as a director of the Corporation since 1996 and is a member of the Compensation and Nominating and Corporate Governance Committees.

**[PHOTO OF SIDNEY TAUREL]**

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#### **Directors Whose Terms Expire at the 2001 Annual Meeting**

Pedro Aspe, age 50, has been Chairman of the Board of Vector Casa de Bolsa, S.A. de C.V. ("Vector"), an investment banking firm in Mexico providing financial services to corporations, financial institutions and individual investors, since 1996. Vector is a subsidiary of Pulsar International, S.A. de C.V., an industrial and financial company headquartered in Mexico. He has also been since 1996 Managing Director and a partner of Protego, a newly formed investment banking unit of Vector aimed at attracting capital and technology to Mexico. Dr. Aspe has been since 1995 a professor at the Instituto Tecnológico Autónomo de México, located in Mexico City. Dr. Aspe has held a number of positions with the Mexican government and was most recently the Secretary of Finance and Public Credit of Mexico from 1988 through 1994. Dr. Aspe is a director of Seguros Comercial America (Mexico) and on the Advisory Board of Marvin & Palmer. Dr. Aspe is also a member of the Advisory Board of Stanford University's Institute of International Studies. Dr. Aspe has served as a director of the Corporation since 1996 and is a member of the Audit and Financial Policy Committees.

**[PHOTO OF PEDRO ASPE]**

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George B. Harvey, age 68, was Chairman, President and Chief Executive Officer of Pitney Bowes Inc. from 1983 through 1996. Pitney Bowes is a global business providing informal mail and messaging management. Mr. Harvey was President and Chief Operating Officer of Pitney Bowes from 1981 to 1983. He is a director of Merrill Lynch & Co., Inc., Pfizer, Inc. and Massachusetts Mutual Life Insurance Co. Mr. Harvey has served as a director of the Corporation since 1985 and is Chairman of the Audit Committee and is a member of the Executive, Financial Policy and Nominating and Corporate Governance Committees.

**[PHOTO OF GEORGE B. HARVEY]**

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Robert P. McGraw, age 45, is currently President of Averdale International LLC, an international investment company. He also serves as Chairman and Chief Executive Officer of Dragon River Health Products, LLC. Prior to that, Mr. McGraw was Executive Vice President of the Professional Publishing Group of the Corporation from 1989 to August 1998. He was Executive Vice President of the Healthcare Group from 1987 to 1989, and Group Vice President of that same group from 1985 to 1987. Prior to that he served in several key positions in the Health Professions Division:

as General Manager from 1983 to 1985; as Editorial Director from 1982 to 1983; and as Editor from 1979 to 1982. He joined the Corporation in 1976 as a sales representative for McGraw-Hill Higher Education, formerly known as the College Division. Mr. McGraw has served as a director of the Corporation since 1995 and is a member of the Financial Policy Committee. (a)

**[PHOTO OF ROBERT P. MCGRAW]**

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Lois Dickson Rice, age 67, has been a guest scholar since 1991 in the Economics Study Program at the Brookings Institution, a research and education organization. Prior to that she had been for more than five years Senior Vice President, Government Affairs, and a director of Control Data Corporation, which applies technology to specialized computer, information and management needs. She has held various positions with the College Board, an educational association, and from 1971 through 1981 served as one of its Vice Presidents. Ms. Rice is a director of International Multifoods, Unum/Provident Corporation and the HSB Group. Ms. Rice is a Trustee of the Harry Frank Guggenheim Foundation and Reading Is Fundamental. She is a member of the President's Foreign Intelligence Advisory Board and a director of the Public Agenda Foundation. Ms. Rice has served as a director of the Corporation since 1988 and is a member of the Audit and Compensation Committees.

**[PHOTO OF LOIS DICKSON RICE]**

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Linda Koch Lorimer, age 48, has been Vice President and Secretary of Yale University since 1995, having returned to Yale as Secretary of the University in 1993. She was President of Randolph-Macon Woman's College from 1987 to 1993 and was Associate Provost of Yale University from 1983 to 1987. She is a director of Sprint Corporation. Ms. Lorimer also serves on the Board of Governors of the Center for Creative Leadership and is a director of Yale-New Haven Hospital. Ms. Lorimer has served as a director of the Corporation since 1994 and is a member of the Compensation and Nominating and Corporate Governance Committees.

**[PHOT OF LINDA KOCH LORIMER]**

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Harold W. McGraw III, age 51, has been Chairman of the Board of the Corporation since January 2000 and President and Chief Executive Officer of the Corporation since April 1998. Prior to that, Mr. McGraw had been President and Chief Operating Officer of the Corporation since 1993. He was Executive Vice President, Operations, of the Corporation from 1989 to 1993. Prior to that he was President of the McGraw-Hill Financial Services Company, President of the McGraw-Hill Publications Company, Publisher of McGraw-Hill's Aviation Week & Space Technology magazine and Vice President, Corporate Planning. Before joining the Corporation in 1980, he held several financial positions at the GTE Corporation. Mr. McGraw is a director of Bestfoods, Inc. He is a member of the Business Roundtable and the Business Council, serves on the Boards of Hartley House (a New York City community settlement house), the National Actors Theatre, the National Academy Foundation, the National Council on Economic Education, the Wharton Graduate Executive Board, and is co-chair of Carnegie Hall's Corporate Fund. Mr. McGraw has served as a director of the Corporation since 1987 and is Chairman of the Executive Committee. (a)

**[PHOTO OF HAROLD W. MCGRAW III]**

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(a)Harold W. McGraw III and Robert P. McGraw are brothers and the sons of Harold W. McGraw, Jr.

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## **INFORMATION AS TO COMMITTEES, ATTENDANCE AND FEES OF THE BOARD OF DIRECTORS**

The Corporation's Board of Directors has standing Audit, Compensation and Nominating and Corporate Governance Committees.

The Audit Committee is comprised of Ms. Lois Dickson Rice and Messrs. Pedro Aspe, Winfried Bischoff, John T. Hartley and George B. Harvey. During 1999 the Audit Committee held three meetings. The functions performed by the Audit Committee include: (a) reviewing and approving the scope and coverage of the Corporation's annual audit and the division of duties between the Corporation's independent auditors and internal auditors; (b) discussing any significant difficulties encountered or significant findings made during the annual audit; (c) reviewing and approving the annual audit, financial statements and management letters following completion of the Corporation's annual audit; (d) reviewing with the Corporation's independent auditors and the Corporation's management the accounting systems, financial controls and procedures used by the Corporation; (e) reviewing and approving the scope of the duties of the internal audit function; (f) reviewing and approving, from time to time, with the Corporation's senior management the Corporation's Code of Business Ethics to determine compliance with such Code; (g) reviewing and approving the annual audit budget and actual fees paid to the Corporation's independent auditors; and (h) recommending to the Board of Directors each year the firm of independent auditors to be retained for the following year.

The Compensation Committee is comprised of Ms. Lois Dickson Rice and Linda Koch Lorimer and Messrs. Vartan Gregorian, John T. Hartley and Sidney Taurel. During 1999 the Compensation Committee held eight meetings. The functions performed by the Compensation Committee include: (a) establishing and approving the compensation to be paid to members of the Corporation's senior management; (b) administering the Corporation's executive incentive plans; (c) administering the Corporation's stock incentive plans; and (d) authorizing and approving special compensation arrangements for senior management.

The Nominating and Corporate Governance Committee is comprised of Ms. Linda Koch Lorimer and Messrs. Vartan Gregorian, John T. Hartley, George B. Harvey, James H. Ross and Sidney Taurel. During 1999 the Nominating and Corporate Governance Committee held six meetings. The functions performed by the Committee include: (a) recommending to the Board of Directors the slate of nominees for election as directors at each Annual Meeting or for election by the Board of Directors on an interim basis; (b) recommending to the Board of Directors individuals to fill vacancies on it; (c) evaluating, on a continuing basis, possible candidates to serve on the Board of Directors; (d) recommending to the Board of Directors appropriate compensation to be paid to the directors; (e) administering the Director Deferred Stock Ownership Plan; (f) determining whether any relationship exists between an outside director and the Corporation that might affect the status of the director as independent; and (g) making recommendations, from time to time, to the Board of Directors as to matters of corporate governance and periodically monitoring the Board's performance. The Nominating and Corporate Governance Committee is willing to consider recommendations of nominees by a shareholder if the shareholder submits the nomination in compliance with the advance notice, informational and other requirements set forth in the Corporation's By-Laws. Shareholders should direct such recommendations of nominees to the Nominating and Corporate Governance Committee, c/o the Secretary of the Corporation at 1221 Avenue of the Americas, New York, New York 10020. The Corporation's By-Laws also contain detailed procedures, including time limitations, which a shareholder must comply with in order to introduce an item of business at a meeting of shareholders.

In addition to the above mentioned three Committees, the Corporation's Board of Directors has an Executive Committee and a Financial Policy Committee.

The Board of Directors of the Corporation held a total of eight meetings during 1999. All directors attended at least 75% of (1) all meetings of the Board of Directors and (2) all meetings of all Board Committees on which they served, except for Winfried Bischoff, who has missed two meetings of the Board and one meeting of the Financial Policy Committee. The overall attendance record for all directors as a group during 1999 was 97.2%.

The Corporation provides a competitive director compensation program in order to attract and retain highly qualified individuals with a broad range of experience. In order to closely align the outside directors' compensation with the financial interests of shareholders, approximately 50% (or a greater percentage should a director so elect) of each outside director's total annual compensation is paid in shares of the Corporation's Common Stock pursuant to the Director Deferred Stock Ownership Plan.

For 1999, outside directors of the Corporation received an annual cash retainer of \$23,000, a cash fee of \$1,200 for each Board meeting which they attended, and a cash fee of \$1,000 for each meeting of the Audit, Compensation, Executive, Financial Policy and Nominating and Corporate Governance Committees which they attended.

Additionally, under the Director Deferred Stock Ownership Plan, each outside director received a deferred share credit equal to the average cash compensation paid to all outside directors during the calendar year. For 1999, this credit was \$45,649. These deferred share credits are payable in shares of the Corporation's Common Stock following a director's termination of Board membership. Further, pursuant to the Director Deferred Stock Ownership Plan, the Corporation has written agreements with Ms. Linda Koch Lorimer and Lois Dickson Rice and Messrs. Pedro Aspe and George B. Harvey in which they have elected to receive all or a portion of their annual cash retainer and Board and Committee meeting fees payable in deferred shares of the Corporation's Common Stock in lieu of the cash payments otherwise due and payable to them.

Pursuant to the Director Deferred Compensation Plan, the Corporation currently has written agreements with Ms. Lois Dickson Rice and Messrs. Joseph L. Dionne, Vartan Gregorian and John T. Hartley, respectively, to defer payment to them of all or a portion of their annual cash retainer and Board and Committee meeting fees which would otherwise be due and payable to them in connection with their service on the Board of Directors. Interest on the deferred cash amount is to be based on the monthly equivalent of a corporate bond index for the preceding year plus 2% (up to a maximum of 150% of the bond index).

Further, pursuant to the Directors Retirement Plan, annual retirement and disability benefits are to be paid to each covered, non-employee director of the Corporation upon retirement at or after age 65 or in the event of disability in an amount equal to 10% of the then annual retainer fee for each year of service on the Board, provided that the director shall have been a Board member for at least five years. However, this Plan was amended in 1996 to provide that current Board members shall not accrue any additional benefits under the Plan after June 30, 1996 and any future new Board members after such date shall not participate in the Plan.

The Corporation entered into an agreement with Mr. Joseph L. Dionne in connection with his service as non-executive Chairman of the Corporation's Board of Directors for the period July 1, 1998 through December 31, 1999. With respect to such services, the Corporation agreed to pay Mr. Dionne an annual fee of \$350,000. Mr. Dionne was not paid other compensation, such as the annual retainer and meeting and Committee attendance fees, normally paid to outside directors during this time period.

As an inside director who is an employee of the Corporation, Mr. Harold McGraw III does not receive any fees for serving on the Board or for attending meetings of Board Committees.

### **Indemnification**

Each of the directors and certain of the executive officers have entered into an indemnification agreement with the Corporation pursuant to which each director and executive officer shall be indemnified against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred in any action or proceeding, whether civil or criminal, or any appeal therein, to the fullest extent permitted by the applicable provisions of the New York Business Corporation Law. Such indemnification will be reduced to the extent that a director or executive officer is effectively indemnified by directors' and officers' liability insurance maintained by the Corporation. The Corporation has for many years carried directors' and officers' liability insurance coverage. The Corporation's current insurance coverage was purchased for the three-year period beginning December 31, 1999 and extending through December 31, 2002, for a three year aggregate premium of approximately \$1,613,500. The Corporation has purchased this insurance coverage from National Union Fire Insurance Company of Pittsburgh, PA.; Federal Insurance Company; and Great American Insurance Companies. This coverage, subject to a number of standard exceptions and certain deductibles, indemnifies the directors and officers of the Corporation and its subsidiaries, whether elected or appointed, for liabilities or losses incurred in the performance of their duties up to an aggregate sum of \$65,000,000. No sums have been paid under this coverage to the Corporation or any directors or officers nor have any claims for reimbursement been made under this policy.

## BENEFICIAL OWNERSHIP OF THE CORPORATION'S COMMON STOCK (a),(b)

The following table indicates the beneficial ownership of the Corporation's Common Stock as of February 4, 2000, by (1) each of the directors and nomi- nees; (2) the chief executive officer and the other four most highly compen- sated executive officers; and (3) all directors, nominees and executive offi- cers of the Corporation as a group, based upon information supplied by each of the directors, nominees and officers:

Name of Beneficial Owner	Sole Voting Power and Sole Investment Power	Shared Voting Power and Shared Investment Power	Right to Acquire Shares within 60 Days by Exercise of Options	Total Number of Shares Beneficially Owned	Percent of Common Stock(a)	Director Deferred Stock Ownership Plan(c)
Pedro Aspe.....	7,096			7,096	(d)	7,022
Robert J. Bahash.....	236,531		41,000	277,531	(d)	
Winfried Bischoff.....	2,000			2,000	(d)	181
Joseph L. Dionne(e).....	211,363	92,592	605,378	909,333	(d)	
Vartan Gregorian.....	1,850			1,850	(d)	3,635
John T. Hartley.....	4,960			4,960	(d)	3,635
George B. Harvey.....	3,993			3,993	(d)	6,831
Linda Koch Lorimer.....	2,708			2,708	(d)	4,957
Barbara B. Maddock.....	41,642		42,448	84,090	(d)	
Harold W. McGraw III....	427,876		420,737	848,613	(d)	
Robert P. McGraw.....	78,042			78,042	(d)	1,027
John D. Negroponete.....	10,741		29,200	39,941	(d)	
Lois Dickson Rice.....	1,250			1,250	(d)	3,635
James H. Ross.....	3,110			3,110	(d)	3,635
Sidney Taurel.....	2,000			2,000	(d)	4,185
Kenneth M. Vittor.....	46,588		59,380	105,968	(d)	
All Directors and Execu- tive Officers of the Corporation as a group (a total of 21 persons, including those named above)(f)(g).....	1,185,490	92,592	1,341,188	2,619,270	1.34 %	38,743

(a) The number of shares of Common Stock outstanding on February 4, 2000 (ex- cluding treasury shares) was 195,538,647. The percent of Common Stock is based on such number of shares and is rounded off to the nearest one per- cent.

(b) To the Corporation's knowledge, no person is the beneficial owner of more than 5% of the Corporation's Common Stock, other than FMR Corp., having a principal place of business at 82 Devonshire Street, Boston, Massachusetts 02109-3614 ("FMR"). On February 14, 2000, FMR advised the Corporation by furnishing the Corporation with its Schedule 13G filed with the Securities and Exchange Commission that, as of December 31, 1999, it beneficially owned in the aggregate 19,611,426 shares or approximately 10% of the out- standing Common Stock of the Corporation. FMR has certified in its Sched- ule 13G filing that the Corporation's Common Stock was acquired in the or- dinary course of business and was not acquired for the purpose of changing or influencing control of the Corporation.

(c) This amount represents the number of shares of the Corporation's Common Stock which have been credited to a bookkeeping account maintained for each non-employee director of the Corporation pursuant to the Director De- ferred Stock Ownership Plan. This Plan is further described on pages 6 and 7.

(d) Less than 1%.

(e) Joan F. Dionne, the wife of Joseph L. Dionne, is the beneficial owner of 22,392 shares of Common Stock. These shares have not been included in the above table.

(f) Spouses and children of some members of this group may own other shares in which the members of this group disclaim any beneficial interest and which are not included in the above table.

(g) Harold W. McGraw, Jr., Chairman Emeritus of the Corporation, is the beneficial owner of 4,840,550 shares of Common Stock, of which 70,190 are held in Mr. McGraw's name and 4,770,360 are held in the name of the Harold W. McGraw, Jr. Trust. These shares represent approximately 2.5% of the Corporation's issued and outstanding Common Stock. In addition, Anne P. McGraw, the wife of Harold W. McGraw, Jr., is the beneficial owner of 160,000 shares of Common Stock. None of these shares has been included in the above table.

## INFORMATION AS TO EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of the Corporation's chief executive officer and each of the other four most highly compensated executive officers (the "Named Officers") for services rendered in all capacities to the Corporation in 1997, 1998 and 1999:

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation				Long-Term Compensation				
	Year	Salary	Bonus	Other Annual Compensation(a)	Awards		Payouts		ALL OTHER COMPENSATION
					Restricted Stock Awards(b)	Securities Underlying Options	Long-Term Incentive Payouts(c)		
Harold W. McGraw III(d)	1999	\$825,000	\$1,200,000	\$38,805	0	189,239(e)	\$1,734,826	\$148,720(f)	
Chairman, President and Chief Executive Officer	1998	712,000	759,562	42,158	0	134,400	1,620,019	133,418	
Robert J. Bahash	1997	666,000	710,409	45,328	0	52,000	1,216,307	110,278	
Executive Vice President,	1999	\$575,000	\$ 700,000	\$24,388	0	183,518(e)	\$1,081,168	\$104,783(f)	
Chief Financial Officer	1998	505,000	468,079	26,893	0	57,752	1,051,854	93,228	
John D. Negroponte	1997	447,000	437,072	29,785	0	32,000	844,735	75,157	
Executive Vice President,	1999	\$400,000	\$ 400,000	\$ 6,481	0	26,400	--(g)	\$ 60,853(f)	
Global Markets	1998	375,000	284,918	3,234	0	--	--	2,978	
Kenneth M. Vittor	1997	125,000	--	--	0	16,000(h)	--	--	
Executive Vice President and General Counsel	1999	\$370,000	\$ 350,000	\$11,570	0	36,486(e)	\$ 502,383	\$ 56,536(f)	
Barbara B. Maddock	1998	320,000	244,215	11,847	0	39,330	417,806	51,490	
Executive Vice President,	1997	300,000	268,291	10,536	0	12,000	192,874	41,289	
Organizational Effectiveness	1999	\$350,000	\$ 350,000	\$10,537	0	37,048(e)	\$ 408,664	\$ 51,156(f)	
	1998	292,500	207,583	9,874	0	23,200	342,790	38,441	
	1997	244,000	173,513	10,194	0	12,000	275,994	33,491	

(a) Represents dividend equivalents paid on outstanding Long-Term Restricted Performance Share Awards.

(b) The number and value of Restricted Performance Share holdings at year end was as follows:

	1999	
	Unearned Restricted Performance Shares	Value (at \$61.625)*
H. W. McGraw III.....	45,122	\$2,780,643
R. J. Bahash.....	28,358	\$1,747,562
J. D. Negroponte.....	7,536	\$ 464,406
K. M. Vittor.....	13,454	\$ 829,103
B. B. Maddock....	12,252	\$ 755,030

\* Based on a closing price of the Corporation's Common Stock on December 31, 1999 of \$61.625.

Dividend equivalent payments equal to the dividend paid on the Corporation's Common Stock were paid in cash on Restricted Performance Shares in 1999.

(c) The 1999 payment amount, representing a 150% payout, is based on a Fair Market Value of \$56.5938 for the Corporation's Common Stock on February 1, 2000.

(d) Mr. McGraw became Chairman of the Board on January 1, 2000.

(e) Includes Restoration Stock Option as discussed more fully on page 10.

(f) For 1999, the dollar value reported in this column includes the following items:

	Above Market Interest on Deferred Compensation	1999 Corporation Contribution to Defined Contribution Plans	Total
	-----	-----	-----
H. W. McGraw III..	--	\$148,720	\$148,720
R. J. Bahash....	\$7,505	\$ 97,278	\$104,783
J. D. Negroponte.....	--	\$ 60,853	\$ 60,853
K. M. Vittor....	--	\$ 56,536	\$ 56,536
B. B. Maddock...	--	\$ 51,156	\$ 51,156

(g) Based on Mr. Negroponte's September 1997 employment, he did not participate in the 1997 Long-Term Incentive Award that was awarded in January 1997 and matured December 31, 1999.

(h) Based on Mr. Negroponte's September 1997 employment, his initial stock option award was intended to cover the 1997 and 1998 period.

## OPTION GRANTS IN 1999

The following table sets forth all grants of stock options made during 1999 pursuant to the 1993 Key Employee Stock Incentive Plan to the Named Officers in the Summary Compensation Table:

Individual Grants							Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(a)	
Name	Type	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 1999	Exercise or Base Price	Expiration Date	5%	10%	
H. W. McGraw III.....	Annual	110,000(b)	2.68%	\$ 51.6250	01/04/2009	\$ 3,571,326	\$ 9,050,459	
	Restoration	18,302(c)	0.45%	\$ 54.9688	12/04/1999	\$ 28,295	\$ 54,492	
	Restoration	17,197(c)	0.42%	\$ 54.9688	01/01/2001	\$ 79,524	\$ 160,386	
	Restoration	22,042(c)	0.54%	\$ 54.9688	01/01/2002	\$ 167,605	\$ 347,292	
	Restoration	21,698(c)	0.53%	\$ 54.9688	01/03/2003	\$ 232,874	\$ 495,331	
R. J. Bahash.....	Annual	45,000(b)	1.10%	\$ 51.6250	01/04/2009	\$ 1,460,997	\$ 3,702,461	
	Restoration	15,043(c)	0.37%	\$ 59.4375	01/01/2001	\$ 52,530	\$ 105,805	
	Restoration	19,225(c)	0.47%	\$ 59.4375	01/01/2002	\$ 118,028	\$ 243,235	
	Restoration	15,238(c)	0.37%	\$ 59.4375	01/03/2003	\$ 140,109	\$ 295,832	
	Restoration	15,743(c)	0.38%	\$ 59.4375	01/02/2004	\$ 195,259	\$ 422,737	
	Restoration	15,685(c)	0.38%	\$ 59.4375	01/02/2005	\$ 239,921	\$ 532,957	
	Restoration	21,993(c)	0.54%	\$ 59.4375	01/01/2006	\$ 411,856	\$ 939,277	
	Restoration	19,915(c)	0.49%	\$ 59.4375	01/01/2007	\$ 458,489	\$ 1,074,120	
	Restoration	14,065(c)	0.34%	\$ 59.4375	01/01/2008	\$ 378,657	\$ 911,772	
	Restoration	1,611(c)	0.04%	\$ 59.4375	06/30/2008	\$ 45,522	\$ 110,761	
J. D. Negroponete.....	Annual	26,400(b)	0.64%	\$ 51.6250	01/04/2009	\$ 857,118	\$ 2,172,110	
K. M. Vittor.....	Annual	26,400(b)	0.64%	\$ 51.6250	01/04/2009	\$ 857,118	\$ 2,172,110	
	Restoration	2,235(c)	0.05%	\$ 54.9688	01/01/2006	\$ 47,270	\$ 109,300	
	Restoration	7,851(c)	0.19%	\$ 54.9688	01/01/2007	\$ 195,930	\$ 465,494	
	Annual	26,400(b)	0.64%	\$ 51.6250	01/04/2009	\$ 857,118	\$ 2,172,110	
B. B. Maddock.....	Restoration	5,368(c)	0.13%	\$ 53.3125	07/31/2004	\$ 89,720	\$ 201,602	
	Restoration	5,280(c)	0.13%	\$ 53.3125	01/02/2005	\$ 95,733	\$ 217,186	
All Shareholders.....	N/A	N/A	N/A	N/A	N/A	\$ 6,665,926,874(d)	\$ 16,892,763,646(d)	
All Optionees.....	N/A	4,100,579	100%	\$53.7141(e)	(e)	\$ 129,822,920	\$ 327,259,631	
Optionees' Gain as % of All Shareholders' Gain.....	N/A	N/A	N/A	N/A	N/A	1.95%	1.94%	

(a) The dollar amounts under these columns are the result of calculations at the 5% and 10% rates required by the Securities and Exchange Commission for the option term and therefore are not intended to and may not accurately forecast possible future appreciation, if any, of the Corporation's Common Stock price.

(b) The annual awards, which were granted pursuant to the 1993 Key Employee Stock Incentive Plan, were for non-qualified stock options and provide that one-half of the option vests on the first anniversary of the grant, and the remaining one-half vests on the second anniversary of the grant. In the event of a change in control of the Corporation, the option becomes fully vested.

The Compensation Committee approved a new stock option enhancement in 1997 called a Restoration Stock Option ("RSO"). If shares of the Corporation's Common Stock are delivered in payment of the exercise price of a stock option (as opposed to the use of cash, or "cashless exercises"), an RSO will be granted equal to the number of shares used to exercise the stock option. The expiration date of these RSO grants (which are made pursuant to the 1993 Key Employee Stock Incentive Plan) remains the last day the underlying grant is exercisable. Additionally, if shares are withheld to satisfy the tax obligation on the realized gain, the RSO will include shares equal to the number of shares withheld for taxes. RSO grants are non-qualified, and are first exercisable six months after the date of grant at the market value at the date of grant of the RSO. Only one RSO will be granted for each original stock option granted. In the event of a change in control of the Corporation, all RSOs become fully vested.

(c) RSO granted pursuant to provisions described above.

(d) The amount shown represents the hypothetical return to all shareholders of the Corporation's Common Stock assuming that all the sharehold-

ers purchased the Corporation's Common Stock at the close of business on January 4, 1999 at a purchase price of \$53.7141, the average price for all optionees, and that all shareholders hold the Common Stock continuously for a ten-year period. The number of outstanding shares of Common Stock on January 4, 1999 was 197,330,616. The hypothetical return presented is not intended as a projection of the future performance of the Corporation's Common Stock, but rather is provided for illustrative purposes only.

(e) Expiration dates range from December 4, 1999 through December 28, 2009. \$53.7141 represents the average exercise price of the grants to all optionees. All grants were made at the fair market value of the Corporation's Common Stock at the time of the grant.

#### AGGREGATE OPTION EXERCISES IN 1999 AND 1999 YEAR-END OPTION VALUES

The following table sets forth information with respect to options exercised by each of the Named Officers during 1999 and the number and value of unexercised options as of December 31, 1999:

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 1999		Value of Unexercised In-the-Money Options at December 31, 1999(a)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
H. W. McGraw III.....	166,202	\$6,009,601	328,537	177,200	\$10,448,732	\$2,753,150
R. J. Bahash.....	254,052	\$9,817,525	0	204,018	\$0	\$1,265,789
J. D. Negrofonte.....	0	\$0	16,000	26,400	\$487,499	\$264,000
K. M. Vittor.....	17,404	\$528,959	38,180	34,400	\$630,883	\$467,500
B. B. Maddock.....	18,400	\$666,138	44,248	38,000	\$1,228,574	\$539,094

(a) Based on a closing price of the Corporation's Common Stock on December 31, 1999 of \$61.625 as reported on the New York Stock Exchange Composite Transactions Tape.

#### LONG-TERM INCENTIVE PLAN AWARDS IN 1999

The following table sets forth information concerning long-term incentive awards granted during 1999 to the Named Officers pursuant to the 1993 Key Employee Stock Incentive Plan:

Name	Number of Restricted Shares(a)	Performance Period Until Maturaton or Payout	Estimated Future Payout Under Non-Stock Price-Based Plans		
			Threshold Number of Shares	Target Number of Shares	Maximum Number of Shares
H. W. McGraw III.....	10,654 shares	3 Years	2,131	10,654	15,981
R. J. Bahash.....	6,780 shares	3 Years	1,356	6,780	10,170
J. D. Negrofonte.....	3,390 shares	3 Years	678	3,390	5,085
K. M. Vittor.....	3,390 shares	3 Years	678	3,390	5,085
B. B. Maddock.....	3,390 shares	3 Years	678	3,390	5,085

(a) Restricted Performance Share Awards pursuant to the 1993 Key Employee Stock Incentive Plan with payment in the Corporation's Common Stock based upon the degree of achievement of a three-year cumulative compound growth rate in diluted earnings per share ("the EPS growth goal") maturing on December 31, 2001. The awards do not provide for interim payments (other than the payment of dividend equivalents). The threshold amount will be earned at the achievement of 60% of the EPS growth goal, the target amount will be earned at the achievement of 100% of the EPS growth goal and the maximum award amount will be earned at the achievement of 120% or more of the EPS growth goal. The Awards will be forfeited if the achievement is less than 60% of the EPS growth goal. The Restricted Performance Shares are entitled to dividend equivalent payments and voting rights comparable to the Corporation's Common Stock based upon the target number of shares awarded.

In the event of a change in control of the Corporation, all of the financial goals are deemed to have been satisfied, and the recipient will receive the target amount no later than the normal maturity date of the award.

## SHAREHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a graph comparing the yearly percentage change in the cumulative total shareholder return on the Corporation's Common Stock with the cumulative total return of the S&P Composite 500 Stock Index and the cumulative total return for a group of peer companies for the five-year period commencing on January 1, 1995 and ending on December 31, 1999.

## SHAREHOLDER RETURN PERFORMANCE GRAPH

### Five Year Cumulative Total Return (Year Ending December 31, 1999)

	[GRAPH]					
	1994	1995	1996	1997	1998	1999
The McGraw-Hill Companies	100	134	147	241	338	416
S&P 500 Composite Index	100	138	169	226	290	351
Peer Group	100	128	150	230	240	314

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Assumes \$100 invested on December 31, 1994 in the Corporation's Common Stock, S&P 500 Index and Peer Group Index  
Total return assumes reinvestment of dividends.

Companies comprising the Peer Group: Dow Jones & Company, Inc., The Dun & Bradstreet Corporation, Gannett Co., Inc., Houghton Mifflin Company, Knight-Ridder Inc., Meredith Corporation, The New York Times Company, The Times Mirror Company, and Tribune Company. One of the members of the Peer Group, The Dun & Bradstreet Corporation ("D&B"), spun-off two subsidiaries in November 1996, as a result of which shareholders of the original D&B ("Old D&B") became holders of shares in reorganized D&B ("New D&B") and in each of the spun-off subsidiaries (the "Spin-Offs"). In calculating the total shareholder return for D&B, the shares of the Spin-Offs received by the Old D&B shareholders were deemed to be reinvested in shares of New D&B. In June 1998, the New D&B further separated into two public companies, the New D&B and R.H. Donnelley, through a tax-free dividend. The Peer Group results reflect total shareholder returns for the New D&B, including a \$3 per share cash equivalent distribution for R.H. Donnelley reinvested in the New D&B.

## COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

### Introduction

The McGraw-Hill Companies' executive compensation program (the "Program") is administered by the Compensation Committee of the Board of Directors (the "Committee") which is composed of the individuals listed below who are independent non-employee directors of the Corporation. The Committee has sole responsibility for all compensation matters with respect to the Corporation's senior management. The Committee regularly reports to the Board of Directors on its activities and decisions and meets in executive session with all non-employee directors at year-end to review the CEO's performance and compensation.

### Philosophy

The Program has been designed to enable the Corporation to attract, motivate and retain senior management by providing a fully competitive total compensation opportunity based on performance. The Program consists of three key elements: (1) base salaries which reflect competitive marketplace data and evaluated individual performance; (2) annual incentive opportunities which are payable for the achievement of annual financial performance goals established by the Committee; and (3) long-term stock-based incentive opportunities consisting of annual grants of restricted performance shares, which are payable for the achievement of three-year financial performance goals established by the Committee, and annual stock option grants. The stock-based incentive opportunities are intended to align the interests of senior management with those of the Corporation's shareholders. The executive compensation program permits differentiation in total compensation opportunity based on assessments of individual performance, contributions, assignments and future potential. Further, the program is structured so that at higher management levels a larger portion of annual compensation is variable, based on company performance, and a larger portion of total compensation is composed of stock-based compensation.

The Committee's policy with respect to the tax deductibility of executive compensation under Section 162(m) of the Internal Revenue Code is to qualify such compensation for deductibility where practicable. The 1996 Key Executive Short-Term Incentive Compensation Plan and the 1993 Key Employee Stock Incentive Plan have been approved by the Corporation's shareholders pursuant to the requirements of Section 162(m) of the Internal Revenue Code so that the awards earned under these plans will qualify for tax deduction by the Corporation when paid. In this regard, amended and updated versions of both the Key Executive Short-Term Incentive Compensation Plan and the Employee Stock Incentive Plan are being presented to shareholders at the April 26, 2000 Annual Meeting for approval as required under the Section 162(m) regulations.

Following is a discussion of each of the elements of the Program and a description of the specific decisions and actions taken by the Committee with regard to 1999 compensation for the CEO.

### Program Competitiveness

Each element of the Program is intended to be fully competitive with comparable elements of competitor companies in the publishing, information and media industry. Base salaries are determined within the framework of position responsibility, individual performance and the external marketplace. Competitive market data are derived annually using a third-party consultant survey of the publishing, information and media industry, which includes reported data from companies in the peer group index of the Shareholder Return Performance Graph (the "Peer Group").

The annual incentive award opportunities are established by the Committee based on recommendations developed by an independent compensation consulting firm selected by the Committee. These recommended incentive opportunities are competitive with median levels of incentive opportunities using available incentive opportunity data for the competitor companies included in the Peer Group and incentive opportunity data from a third-party media industry compensation survey of other publishing, information and media companies.

The long-term incentive grant guidelines provide competitive long-term compensation opportunities in the form of restricted performance share and stock option grants. The grant guidelines for these awards are derived from general industry long-term incentive grant data and are adjusted by an independent compensation consultant to reflect median long-term incentive grant practices of publishing, information and media industry companies including those in the Peer Group.

## **Annual Salary and Incentive Compensation**

Annual compensation for senior management consists of base salary and the annual incentive awards earned under the 1996 Key Executive Short-Term Incentive Compensation Plan. Base salary increases for senior executives other than the CEO are recommended annually by Mr. McGraw and are reviewed and approved by the Committee.

Target awards established under the 1996 Key Executive Short-Term Incentive Compensation Plan are established as a dollar amount for each executive at the beginning of the year. The maximum payment opportunity is set at 200% of the annual target award. Payment of the annual incentive awards for Mr. McGraw and the other executives named in the Summary Compensation Table is based on the Corporation's performance in relation to minimum, target and maximum diluted Earnings Per Share goals which are approved by the Committee at the beginning of the plan year.

## **Long-Term Incentive Compensation**

The long-term incentive compensation program for senior management consists of two types of annual stock awards: restricted performance shares and stock options. Restricted performance share awards are established for each executive and granted annually on or before April 1. The awards vest at the end of a three-year award cycle within a range of 20% to 150% of the shares awarded based on the achievement of minimum, target and maximum cumulative compound diluted Earnings Per Share growth goals which are established by the Committee at the beginning of the award cycle. These restricted performance share awards are subject to forfeiture if the minimum performance goal is not attained, or if a participant's employment is terminated for certain reasons before the shares become vested. During the award cycle, participants receive dividends on and have the right to vote the awarded shares.

The second component of the long-term incentive compensation program consists of stock options which provide participants with the right to purchase shares of The McGraw-Hill Companies Common Stock at its market value on the date of grant. Each stock option grant becomes exercisable in two equal annual installments commencing one year after grant, and each grant has a ten-year maximum term.

## **1999 CEO Compensation**

Mr. McGraw's base salary is reviewed annually by the Committee which considers competitive CEO base salary information from the Peer Group companies, Mr. McGraw's individual performance and contributions since his last review, and the merit increase guidelines in effect for other salaried employees during this period. Effective January 1, 1999, the Committee increased Mr. McGraw's base salary by 12.2% to \$825,000 based on its review and assessment of the factors and criteria described above.

In January 1999, stock-based long-term incentive awards were granted. Mr. McGraw received an award of 10,654 restricted performance shares which will mature on December 31, 2001, subject to the achievement of the Committee-approved diluted Earnings Per Share performance goals established for this award, and he received 110,000 stock option shares. These awards are disclosed in the Long-Term Incentive Plan Awards Table and the Option Grants Table.

In order to calculate the degree of achievement of the Earnings Per Share Goals for the 1999 Short-Term Incentive Compensation Award and the 1997, 1998 and 1999 Long-Term Restricted Performance Share Awards, the Committee determined that the reported 1999 diluted Earnings Per Share, excluding the one-time gain on the sale of the petrochemical publications, would be used for purposes of determining the achievement of these awards.

In early 2000, the Committee reviewed and approved the 1999 annual incentive award payment for Mr. McGraw under the 1996 Key Executive Short-Term Incentive Compensation Plan. Based on the Corporation's diluted Earnings Per Share for 1999, as measured against the Earnings Per Share performance goal established by the Committee at the beginning of the year, Mr. McGraw's earned incentive payment was \$1,200,000, representing 200% of his 1999 target opportunity.

In early 2000, the Committee reviewed and approved the degree of achievement and award payout to Mr. McGraw for the 1997 Long-Term Restricted Performance Share Award which covered the years 1997, 1998 and 1999 and matured on December 31, 1999. The cumulative compound Earnings Per Share growth for the three-year award cycle exceeded the maximum 150% payment goal established by the Committee for this Award. As a result, Mr. McGraw received a share payment of 30,654 shares representing 150% of his target award. The dollar value of Mr. McGraw's 1997 Long-Term Restricted Performance Share Award payout is shown in the Long-Term Incentive Plan Payout Column of the Summary Compensation Table.

## Closing Statement

The Committee believes that the caliber and motivation of the Corporation's key employees and the quality of their leadership make a significant difference in the long-term performance of the Corporation. The Committee further believes that compensation should vary with the Corporation's financial performance so that executives are well rewarded when performance meets or exceeds standards established by the Committee, and there should be downside risks to compensation when performance does not meet these standards.

In its view, the Committee believes that The McGraw-Hill Companies' executive compensation program is meeting the goals contained in the Program's philosophy.

The foregoing report has been furnished on behalf of the Board of Directors by the members of its Compensation Committee.

John T. Hartley (Chairman) Vartan Gregorian  
Linda Koch Lorimer  
Lois Dickson Rice  
Sidney Taurel

## DEFINED BENEFIT RETIREMENT PLANS

The officers named in the Summary Compensation Table are entitled to retirement benefits under two defined benefit plans maintained by the Corporation:

The Employee Retirement Plan ("ERP"), and the Employee Retirement Plan Supplement ("ERP Supplement"). In addition, Messrs. McGraw and Bahash participate in the Senior Executive Supplemental Death, Disability and Retirement Benefits Plan (the "Supplemental Benefits Plan").

The ERP provides participants with retirement benefits based upon career compensation. These benefits are subject to limitation under certain provisions of the Internal Revenue Code. The Corporation makes all of the required contributions to the Plan and participants make no contributions to such Plan. The benefit formula applicable to the Named Executive Officers is 1.0% of each year's earnings, and the vesting schedule of ERP provides that participants are 100% vested after completion of five years of continuous service with the Corporation. Under the ERP Supplement, participants are provided with retirement benefits that would have been provided under the ERP except for the limitations imposed by the Internal Revenue Code.

Under the Supplemental Benefits Plan, a participant is entitled to receive upon normal retirement at age 65 an annual retirement benefit equal to 55% of the participant's highest rate of annual base salary and highest target opportunity under the Key-Executive Short-Term Incentive Compensation Plan during the 36 month period before retirement, reduced by the participant's annual retirement benefits under ERP and ERP Supplement, the annual annuity value of a hypothetical savings account, the participant's annual retirement benefit under pension plans of any previous employers, and the participant's annual Social Security retirement benefit.

The following table sets forth the annual benefits under the ERP, the ERP Supplement, and the Supplemental Benefits Plan (computed as a straight life annuity payment) payable upon retirement at age 65 to each of the Named Executive Officers based upon the Corporation's contributions and the participant's 1999 compensation (salary and 1999 target opportunity under the Key-Executive Short-Term Incentive Compensation Plan for purposes of the Supplemental Benefits Plan):

### ANNUAL RETIREMENT BENEFIT FROM CORPORATE CONTRIBUTIONS

Name	ERP and ERP Supplement	Supplemental Benefits Plan	Total
Harold W. McGraw III	\$263,000	\$236,000	\$499,000
Robert J. Bahash	\$161,000	\$177,000	\$338,000
John D. Negroponte	\$ 31,000	\$ 0	\$ 31,000
Kenneth M. Vittor	\$106,000	\$ 0	\$106,000
Barbara B. Maddock	\$ 84,000	\$ 0	\$ 84,000

Pursuant to the Supplemental Benefits Plan, in the event of involuntary termination of employment without cause or resignation of employment by the participant for good reason within two years after a change of control of the Corporation, or resignation by the participant for any reason during the 30 day period following the first anniversary of such change of control a participant shall receive a lump sum payment that is actuarially equivalent to the monthly retirement benefit the participant would have received ranging from 44% to 55% of final monthly earnings and target opportunity under the Key Executive Short-Term Incentive Compensation Plan, based upon the participant's age at the date of termination. The Supplemental Benefits Plan is administered by the Compensation Committee of the Board of Directors, which Committee approves participants who are recommended by the Corporation's Chief Executive Officer.

## Senior Executive Severance Plan

The Senior Executive Severance Plan provides that if the employment of a participating senior executive of the Corporation, including the Named Officers, is involuntarily terminated without cause or the executive resigns for good reason, the executive shall receive a minimum severance payment of 12 months base salary and a maximum severance payment of 24 months base salary, the actual amount of severance to be based upon 1.6 multiplied by the number of years of continuous service with the Corporation. In addition, each participant shall continue to participate in the Corporation's retirement, life, medical and other insurance benefit plans and programs during the period the participant receives severance payments, or in lieu thereof, each participant shall receive an additional cash payment equal to 10% of the severance amount. The receipt of payments by participants pursuant to the Senior Executive Severance Plan is in lieu of receiving benefits pursuant to the Corporation's regular separation allowance plan, which plan is applicable to all full-time employees of the Corporation. The Plan was amended to provide that benefits will be payable to participants who voluntarily terminate their employment within a 30 day period one year after a change in control of the Corporation has occurred. The Senior Executive Severance Plan is administered by the Compensation Committee of the Board of Directors, which Committee approves participants who are recommended by the Corporation's Chief Executive Officer.

## 2. AMENDMENTS TO AND RESTATEMENT OF 1993 EMPLOYEE STOCK INCENTIVE PLAN

On February 24, 1993, the Board of Directors unanimously adopted the 1993 Key Employee Stock Incentive Plan (the "Plan"), which was approved by the Corporation's shareholders on April 28, 1993. The Plan was subsequently amended and restated by the Board of Directors on December 4, 1996 and received shareholder approval with respect to such amendments on April 30, 1997. The corporate purpose underlying the Plan is to provide an opportunity for selected employees of the Corporation to acquire a proprietary interest in the Corporation, thereby furnishing added incentive to contribute to the Corporation's future success and prosperity, and thus enhance the value of the Corporation for the benefit of the shareholders. The Board believes that the Plan improves the Corporation's ability to attract and retain individuals of exceptional ability and talent upon whom the sustained growth and profitability of the Corporation in large measure depend.

On February 23, 2000, the Board of Directors approved the further amendment and restatement of the Plan, subject to shareholder approval at this Annual Meeting, to provide for the following principal changes:

. The Plan had previously reserved and made available for distribution under the Plan 18,990,978 shares of Common Stock. As of March 9, 2000, approximately 4,313,667 shares remained available for issuance in connection with future grants. As a result of the limited number of remaining shares, the Board of Directors believes it is appropriate at this time to reserve and make available for distribution under the Plan 9,581,773 additional shares for future awards, which amount equals 4.9% of the Corporation's outstanding common shares as of March 9, 2000.

. The Plan is also being presented to shareholders for approval of the performance criteria and limits which it contains for certain grants. These amendments are intended to meet the requirements of Section 162(m) of the Internal Revenue Code ("Section 162(m)") and will enable the Corporation to continue to deduct for tax purposes certain compensation paid to the Corporation's chief executive officer ("CEO") and the highest compensated executives other than the CEO named in the proxy statement (collectively, the "covered executives").

. The eligibility criteria of the Plan are being broadened to include employees who contribute to the management, growth and/or profitability of the Corporation.

The full text of the Plan, as amended and restated from the previously approved version of the Plan, is attached to this Proxy Statement as Exhibit A. The principal features of the Plan and the proposed

amendments are described below, but such description is qualified in its entirety by reference to the text. The amendments will not become effective unless shareholder approval is obtained.

As part of its previously announced share repurchase program, the Corporation currently intends to continue its practice of minimizing the dilutive effect of the Plan and other stock-based programs through the acquisition of shares to offset share issuances. The Corporation purchased 3,231,700 shares of Common Stock in 1999 and has purchased 1,376,000 shares of Common Stock from January 1, 2000 through March 15, 2000. The Corporation is currently authorized to purchase an aggregate of 15,000,000 shares of Common Stock.

### **Summary of the Plan**

The Plan permits the granting of any or all of the following types of awards:

(i) stock options, including incentive stock options ("ISOs") and non-qualified stock options; (ii) stock appreciation rights ("SARs"), including limited stock appreciation rights; (iii) restricted stock; and (iv) other awards valued in whole or in part by reference to, or otherwise based upon, the Common Stock of the Corporation ("other stock-based awards"). The aggregate number of shares of stock which may be awarded or granted under the Plan beginning on or after April 26, 2000 for restricted stock and other stock-based awards may not exceed, after these proposed amendments take effect, 33% of the total number of shares available for awards or grants under the Plan on April 26, 2000 (the prior version of the Plan provided such limitation to be based upon the number of such shares on April 30, 1997). There is no comparable restriction on the aggregate number of shares of stock that may be awarded or granted under the Plan for stock options and SARs.

The Plan is administered by the Compensation Committee of the Board of Directors. The Committee has the authority to select employees to whom awards are to be granted, to determine the types of awards and the number of shares covered by such awards, and to establish the terms, conditions and provisions of such awards. The Committee has the authority to interpret the Plan and to establish, amend and repeal administrative rules and regulations relating to the Plan, and to otherwise supervise the overall administration of the Plan. Officers and other employees of the Corporation and its subsidiaries and affiliates are eligible to be participants under the Plan; provided, however, no outside director of the Corporation or member of the Compensation Committee shall be eligible to participate in the Plan. As of March 15, 2000, after giving effect to the proposed amendment, approximately 1,400 officers and employees were eligible to participate in the Plan.

With respect to the unexercised portion of any lapsed or canceled options or if any shares of stock that are subject to a restricted stock or other stock based award are forfeited, such shares shall again be available for distribution in connection with future grants and awards under the Plan. The Plan shall operate in addition to the Corporation's existing executive benefit plans and programs.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Common Stock, an appropriate adjustment shall be made in the aggregate number of shares which may be distributed under the Plan, in the number and option price of shares subject to outstanding options, and in the number of shares subject to other outstanding awards as the Compensation Committee shall determine.

### **Stock Options**

The Plan provides that the option price pursuant to which Common Stock may be purchased shall be fixed by the Compensation Committee, but shall not be less than 100% of the fair market value of the Corporation's Common Stock on the date the option is granted. The term of each option shall be fixed by the Compensation Committee; however, no option shall be exercisable more than ten years after grant. Payment of the purchase price shall be in cash, or if permitted by the Committee, through delivery of shares of Common Stock having a fair market value equal to the purchase price, or by a combination of cash and Common Stock. Unless otherwise determined by the Committee, if a participant's employment with the Corporation is terminated, except for cause, a stock option to the extent vested may generally be exercised for six months after termination. In the event of retirement, disability or death of a participant, any stock option may be exercised in its entirety for a specified period of time after such event as set forth in the Plan.

### **Stock Appreciation Right**

The Compensation Committee has the right to grant SARs in conjunction with all or any part of a stock option. Upon the exercise of a SAR, the holder shall be entitled to receive the excess of the fair market value of the shares for which the SAR is exercised over the option price of the related stock option. Payment by the Corporation upon such exercise shall be in cash or in Common Stock of the Corporation, or a combination of cash and Common Stock, as the Committee shall determine. Upon the exercise of a SAR, the stock option to which such SAR is related shall be deemed to have been exercised.

## **Restricted Stock**

The Plan permits the Compensation Committee to make awards of restricted stock. The Committee shall determine the time or times within which the restricted stock shall be subject to forfeiture, and all of the other terms and conditions of the grant. Recipients of restricted stock are not required to provide consideration to the Corporation, other than the rendering of services. Restricted stock may not be sold by the recipient during the forfeiture period determined by the Committee. The participant shall have with respect to restricted stock all of the rights of a shareholder of the Corporation, including the right to vote such shares and the right to receive dividends. Subject to certain exceptions set forth in the Plan, upon termination of employment during the restriction period, all shares still subject to restriction shall be forfeited by the participant.

## **Other Stock-Based Awards**

The Compensation Committee shall have the authority under the Plan to make awards of stock that are valued in whole or in part by reference to, or are otherwise based upon, the Common Stock of the Corporation, including but not limited to restricted performance shares and freestanding SARs. Each stock-based award shall be confirmed by and shall be subject to the terms of an agreement executed by the participant and the Corporation. The terms and conditions of said award shall be specified in said agreement and shall be determined at the discretion of the Committee. An award may include the right by a participant to receive, either currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares covered by the award.

## **Amendments to the Plan**

The Plan may be amended by the Board of Directors, except that without the approval of the shareholders, the Board may not adopt any amendment which requires shareholder approval under Section 162(m) and the securities laws.

## **Tax Aspects of the Plan**

The Corporation believes that under present law the following are the federal tax consequences generally arising with respect to awards granted under the Plan. The grant of an option or SAR will create no tax consequences for an optionee or the Corporation. The optionee will have no taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and the Corporation will receive no deduction when an ISO is exercised. Upon exercising an option (other than an ISO) or a SAR, the optionee must recognize ordinary income equal to the difference between the exercise price and the fair market value of the stock on the date of exercise, and the Corporation will be entitled to a deduction for the same amount. The treatment of an optionee's disposition of shares acquired through the exercise of an option depends on how long the shares have been held and on whether such shares were acquired by exercising an ISO, or by exercising a non-qualified option or a SAR. Generally, there will be no tax consequences to the Corporation in connection with a disposition of shares acquired under an option, except that the Corporation may be entitled to a deduction in the case of a disposition of shares acquired under an ISO before the applicable ISO holding periods have been satisfied.

With respect to awards of restricted stock or other stock-based awards granted under the Plan which are either transferable or not subject to substantial risk of forfeiture, the participant must recognize ordinary income equal to the fair market value of the shares received, and the Corporation will be entitled to a deduction for the same amount. With respect to awards that are restricted as to transferability and subject to substantial risk of forfeiture, the participant must recognize ordinary income equal to the fair market value of the shares received at the time the shares become transferable or are not subject to substantial risk of forfeiture, whichever occurs earlier, and the Corporation would be entitled to a deduction for the same amount.

## **The Proposed Amendments**

**Additional Shares.** The terms of the Plan, as previously approved, reserved and made available for distribution under the Plan 18,990,978 shares. As of March 9, 2000, approximately 4,313,667 shares remained available for issuance in connection with future grants. As a result of the limited number of remaining shares, the Board of Directors believes it is appropriate at this time to reserve and make available for distribution under the Plan an additional number of shares in the amount of 9,581,773 shares of Common Stock, which amount equals 4.9% of the Corporation's outstanding shares as of March 9, 2000. The awards provided by the Plan are designed to align employee and shareholder interests and to enable the Corporation to attract, motivate and retain experienced and highly qualified individuals. The closing price of the Corporation's Common Stock on March 9, 2000 was \$49.8125.

Section 162(m). Section 162(m) limits the Corporation's tax deduction for certain compensation paid to each of the Corporation's covered executives. This limitation does not apply to "performance-based compensation." Options and SARs may qualify as performance-based compensation if shareholders approve a maximum limit on the number of shares underlying such awards that may be granted to any participant over a specified period. Other awards may qualify as performance-based compensation if payment under such awards is made: (i) on account of the achievement of one or more objective performance goals established by a compensation committee consisting exclusively of two or more outside directors; (ii) pursuant to certain terms approved by shareholders, including the maximum amount payable to any individual and performance goals to be used; and (iii) following certification by such a compensation committee that the performance goals and other material conditions precedent to payment have been satisfied.

Accordingly, the Board of Directors obtained shareholder approval in 1997 of amendments to the Plan to permit the Corporation to continue to deduct for tax purposes compensation paid to covered executives under awards that qualify as performance-based compensation ("Qualifying Awards"). Section 162(m) requires that shareholder approval of the material terms of the Plan be obtained every five years. The Corporation is seeking approval for the next five years at this Annual Meeting. If shareholder approval is not received, the prior version of the Plan will remain effective until further amended. In such case, the Committee has made no determination as to what action it might take with respect to the covered executives.

The Plan provides that two types of Qualifying Awards may be granted. The first type is stock options and SARs. No participant may be granted in any 60-month period beginning on or after April 26, 2000 (amended from a date of April 30, 1997) stock options (including stock options granted in tandem with a SAR) under the Plan which, in the aggregate, cover more than 2,000,000 shares of the Corporation's Common Stock.

The second type includes performance grants and any other award (other than options and SARs) whose payment is conditioned upon the attainment of the performance objectives for the performance goals established by the Committee for a performance cycle in accordance with the provisions of Section 162(m). More than one performance goal may apply to a given performance cycle and payments may be made for a given performance cycle based upon the attainment of the performance objectives for any of the performance goals applicable to the cycle. The duration of a performance cycle shall be determined by the Committee, and the Committee shall be authorized to permit overlapping or consecutive performance cycles. The performance goals that may be selected by the Committee for a performance cycle include any of the following: earnings per share, net income, net operating income, pretax profit, revenue growth, return on sales, return on equity, return on assets, return on investment, total return to shareholders, and cash flow, each of which may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, acquired businesses, minority investments, partnerships or joint ventures. The Committee shall have the discretion, by participant and by award, to reduce (but, in the case of Qualifying Awards only, not to increase) some or all of the amount that would otherwise be payable under the award by reason of the satisfaction of the performance objectives set forth in the Qualifying Award.

For any performance cycle with a duration of 36 months, no participant may receive Qualifying Awards covering more than 150,000 shares of stock or which provide for the payment for such performance cycle of more than 150,000 shares of stock (or cash amounts based on the value of more than 150,000 shares of stock). For a performance cycle that is longer or shorter than 36 months, the maximum limits set forth in the previous sentence shall be adjusted by multiplying such limit by a fraction, the numerator of which is the number of months in the performance cycle and the denominator of which is 36.

Certain Other Amendments. Definition of "Cause." The definition of a termination by the Corporation for "Cause" has been amended to define Cause as the employee's misconduct in respect of the employee's obligations to the Corporation or other acts of misconduct by the employee which result in or could reasonably be expected to result in material damage to the property, business or reputation of the Corporation. Previously, Cause was defined in the Plan as the employee's willful misconduct, including, but not limited to, conviction for a felony or perpetuation of a common law fraud.

Eligible Employees. Those individuals eligible to participate in the Plan will include all employees who are responsible for or contribute to the management, growth and/or profitability of the business of the Corporation, rather than just officers and "key" employees. In recognition of this change, the name of the Plan is being changed to the "Employee Stock Incentive Plan" from the "Key Employee Stock Incentive Plan."

Change in Control. The Plan provides that in the event of a change in control of the Corporation, all

SAR's outstanding and all stock options granted shall become fully exercisable and vested. Except as otherwise provided in an agreement of grant, the restriction and deferral limitations applicable to any grants of restricted stock and other stock-based awards shall lapse and such shares shall be fully vested. All outstanding stock options, SARs, restricted stock and other stock-based awards shall, under changes contained in the amended and restated Plan, at the discretion of the Compensation Committee, either be cashed out or converted into awards based upon publicly traded common stock of the corporation that acquires the Corporation. Previously, all stock options were cashed out.

Because the amounts to be received under the 1993 Employee Stock Incentive Plan can only be determined with precision in the future, the table below shows the grants that were made in early 2000 for the named executive officers; for all current executive officers, as a group; for all current directors who are not executive officers, as a group; for all nominees named for election as directors in this Proxy Statement; and for all employees, including all current officers who are not executive officers, as a group.

NAME	OPTION AWARDS		OTHER STOCK-BASED AWARDS: LONG-TERM RESTRICTED PERFORMANCE SHARES (2)	
	Exercise or Base Price Per Share	Shares Underlying Options Granted	Dollar Value (1)	Shares (#)
Harold-W.-McGraw-III- Chairman, President and Chief Executive Officer	\$59.2813	125,000	\$600,000	10,121
Robert J. Bahash Executive Vice President, Chief Financial Officer	59.2813	48,000	385,000	6,494
John D. Negroponete Executive Vice President, Global Markets	59.2813	28,000	190,000	3,205
Kenneth M. Vittor Executive Vice President and General Counsel	59.2813	28,000	190,000	3,205
Barbara B. Maddock Executive Vice President, Organizational Effectiveness	59.2813	28,000	190,000	3,205
All current executive officers, as a group	59.2813	312,900	1,977,800	33,363
All current directors who are not executive officers, as a group	--	--	--	--
All nominees named for election as directors in this Proxy Statement	--	--	--	--
All employees, including all current officers who are not executive officers, as a group	59.2813	2,484,000	12,568,000	212,000

1) Based on the average of the high and low trading places of the Corporation's Common Stock on January 3, 2000 of \$59.2813.

2) Actual amount earned may be less than, equal to, or greater than the amount shown depending upon the Corporation's performance during 2000 to 2002.

### Approval and Related Matters

The affirmative vote of the holders of a majority of the votes cast of the Common Stock and \$1.20 Convertible Preference Stock, voting together as a single class, is required to approve the Plan.

The following resolution will be offered by the Board of Directors at the Annual Meeting:

RESOLVED: That the Amended and Restated 1993 Employee Stock Incentive Plan in the form of Exhibit A as appended to this Proxy Statement be, and hereby is, authorized, approved and adopted.

### The Board of Directors' Recommendation

Your Board recommends that you vote FOR this resolution. Unless otherwise specified by the shareholder, the Board intends the accompanying proxy to be voted for this resolution.

### 3. AMENDMENTS TO AND RESTATEMENT OF 1996 KEY EXECUTIVE SHORT-TERM INCENTIVE COMPENSATION PLAN

On February 23, 2000, the Board of Directors unanimously adopted amendments to, and the restatement of, the 1996 Key Executive Short-Term Incentive Compensation Plan (the "Plan"), subject to approval by the Corporation's shareholders at this Annual Meeting. The Plan, originally adopted in 1996, is intended to increase the profitability of the Corporation by providing the opportunity for key executives to earn cash incentive payments based upon individual achievement and company performance. The Plan has the further purpose of fulfilling the Corporation's objective of offering a fully competitive total compensation package to its employees, thus enabling the Corporation to attract and retain executives of the highest caliber and ability. The Board of Directors has decided to seek shareholder approval for the Plan, so that compensation payable pursuant to the Plan can qualify for tax deductibility under Section 162(m) of the Internal Revenue Code (the "Code"). Section 162(m) of the Code requires that shareholder approval of the material terms of the Plan be obtained every five years. The Corporation is seeking such approval at this Annual Meeting.

The Code was amended in 1993 to provide that, effective January 1, 1994, with certain exceptions, a publicly held corporation such as the Corporation could not take a federal income tax deduction for compensation paid to a "covered employee" in a taxable year to the extent that the compensation deduction exceeds \$1,000,000. A "covered employee" is the Chief Executive Officer on the last day of the taxable year and any other officer who is among the four highest compensated officers (other than the CEO) as reported in the Proxy Statement. Generally, these would be the same officers named each year in the Summary Compensation Table in the Proxy Statement.

The \$1,000,000 limit on deductibility does not apply to compensation that meets the requirements for "qualified performance-based compensation" under regulations adopted under the Code. These requirements include the following: (i) the compensation must be paid solely on account of the attainment of one or more pre-established, objective performance goals; (ii) the performance goals must be timely established by a compensation committee comprised of solely two or more outside directors; (iii) the material terms of the performance goals must be disclosed to and approved by the shareholders; and (iv) the compensation committee must certify in writing prior to payment of the compensation that the performance goals and any other material terms were in fact satisfied.

If shareholder approval is not received, the prior version of the Plan will remain effective until further amended. In such case, the Committee has made no determination as to what action it might take with respect to the "covered employees."

#### **Summary of Key Executive Short-Term Incentive Compensation Plan**

The following summary of the Plan, as amended and restated, is subject to the complete terms of the Plan, a copy of which is attached to this Proxy Statement as Exhibit B.

1. **Eligible Employees and Maximum Award.** Key executives of the Corporation whose decisions and actions have a demonstrable impact on corporate profitability are eligible to participate. Currently, approximately 350 employees participate. The maximum award payable to a "covered employee" or to any other participant in the Plan in any calendar year is \$3,000,000 (the "Maximum"). The Maximum has been increased from a figure of \$2,000,000.

2. **Administration.** The Compensation Committee of the Board of Directors (the "Committee") shall be responsible for the implementation and administration of the Plan. The Committee's functions shall include, but not be limited to: interpretation of the Plan and establishment of the rules and regulations governing Plan administration; selection of participants; approval of performance objectives upon which the percentage of payment of awards shall be based; determination of the degree of the attainment of the performance objectives; and determination of the size of individual awards and payments to participants. In reaching its decisions, the Committee shall consider recommendations made by the CEO and such other members of management as the CEO shall designate. Members of the Committee must be "outside directors" as defined in the regulations under the Code and may not participate in the Plan.

3. Performance Objectives and Targets. Performance objectives for each participant may consist of financial objectives, individual objectives, or a combination of both, except that with respect to "covered employees," the performance objectives may consist of financial objectives only. Financial objectives are established by the Committee each year based upon one or more of the following performance measures: diluted earnings per share, net income, net operating income, revenue growth, return on sales, working capital, return on equity, return on assets, total return to shareholders, and cash flow, each of which may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, acquired businesses, minority investments, partnerships or joint ventures. At the same time, a "range" of achievement for financial objectives ranging from minimum to target to maximum levels are established by the Committee. The Committee may alter or adjust financial objectives during the course of a year, or alter or adjust the financial results otherwise reported or achieved by the Corporation during such year, except with respect to the "covered employees," for whom the Committee shall have no discretion to increase, but may decrease, the amount of an award payable based upon the range of achievement of the financial objectives.

4. Other Award Criteria. Except with respect to "covered employees," the Committee may also, as to a participant, make a portion of the award opportunity subject to qualitative or quantitative individual goals to be achieved. Individual objectives may be altered or amended during an award year to properly reflect changed business conditions and priorities, subject to approval by the CEO or his delegate.

5. Payment of Awards. Payment of earned awards is made as soon as practicable after the end of the year in which earned. No award is earned with respect to a financial objective at or below the minimum level of achievement established; the target award opportunity with respect to a financial objective is earned if the target is achieved; achievement between the minimum and the target levels results in a pro rata award with respect to that financial objective. An amount larger than the target award opportunity for each financial objective can be earned for exceeding that target.

If a participant's employment is terminated because of death, disability, retirement or with the approval of the Committee in connection with a termination by the Corporation other than for "Cause," the participant shall receive a pro rata award payment based on the portion of the year the participant was employed by the Corporation in an eligible position while the award was outstanding and the degree to which during such year the performance objectives were achieved. No award will be payable to any participant who voluntarily resigns his/her employment prior to the payment date for such award.

In addition to or in lieu of awards granted to participants under the Plan, the Committee may from time to time make grants and awards to participants pursuant to the 1993 Employee Stock Incentive Plan and/or other compensation plans of the Corporation.

6. Change in Control. In the event of a Change in Control of the Corporation, then immediately after such event becomes effective, the Corporation shall pay to each participant the pro rata amount of the higher of the participant's target award and the amount the participant would have received for that period based upon the financial performance of the Corporation during such time period. Thereafter, as shortly after the conclusion of the award year in which the Change in Control occurs as practicable, the amount of an award for that year shall be recomputed and paid in accordance with the other provisions of the Plan less any amount paid to a participant under the Plan at the time of the Change in Control for the applicable year. Previously, the Plan stipulated that upon a Change in Control the Corporation would pay to the participant the pro rata amount of the participant's target award for the applicable year. Reasonable legal fees incurred by a participant in enforcing rights under such Change in Control provisions shall be paid for by the Corporation in addition to sums otherwise due under the Plan. A Change in Control generally is deemed to occur if: (i) any person becomes the owner of 20% or more of the Corporation's voting securities; (ii) individuals who, as of the date of the

Plan, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (provided that any person who subsequently becomes a director and is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such person were a member of the Incumbent Board); (iii) consummation (as opposed to shareholder approval in the unamended Plan) of a merger or consolidation in which the Corporation's voting securities do not continue to represent at least 50% of the surviving entity; or (iv) the shareholders approve a liquidation or dissolution of the Corporation.

7. Amendment. The Plan may be amended by the Board of Directors upon a recommendation of the Committee, except that, without approval of the shareholders, the Board or Committee may not change: (i) the performance measures with respect to awards of "covered employees;" (ii) the individuals or class of individuals eligible to participate; or (iii) the maximum amount payable to a "covered employee" under the Plan.

8. Effectiveness. If the Plan is approved by shareholders at this Annual Meeting, it will be effective in the form approved with respect to grants of awards to be earned during 2000 and thereafter.

Because the amounts to be received under the Plan can only be determined with precision in the future, the table below shows the dollar amounts that were received under the Plan for the 1999 fiscal year by the named executive officers; for all current executive officers, as a group; for all current directors who are not executive officers, as a group; and for all employees, including all current officers who are not executive officers, as a group.

Name	1996 Key Executive Short-Term Incentive Compensation Plan (a)
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-----	Dollar Value (\$)
Harold W. McGraw III Chairman, President and Chief Executive Officer	\$1,200,000
Robert J. Bahash Executive Vice President, Chief Financial Officer	700,000
John D. Negroponte Executive Vice President, Global Markets	400,000
Kenneth M. Vittor Executive Vice President and General Counsel	350,000
Barbara B. Maddock, Executive Vice President, Organizational Effectiveness	350,000
All current executive officers, as a group	3,756,752
All current directors who are not executive officers, as a group	--
All employees, including all current officers who are not executive officers, as a group	21,931,308

(a) Actual amounts earned during 2000 may be less than, equal to, or greater than the amount shown depending upon the Corporation's performance during 2000.

### Approval and Related Matters

The affirmative vote of the holders of a majority of the votes cast of the Common Stock and \$1.20 Convertible Preference Stock, voting together as a single class, is required to approve the Plan.

The following resolution will be offered by the Board of Directors at the Annual Meeting:

RESOLVED: That the Corporation's 1996 Key Executive Short-Term Incentive Compensation Plan, as amended and restated, in the form of Exhibit B as appended to this Proxy Statement be, and hereby is, authorized, approved and adopted.

### The Board of Directors' Recommendation

Your Board recommends that you vote FOR this resolution. Unless otherwise specified by the shareholder, the Board intends the accompanying proxy to be voted for this resolution.

4. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS During the year ended December 31, 1999, Ernst & Young LLP audited the consolidated financial statements of the Corporation and its subsidiaries.

The Board of Directors, after receiving a favorable recommendation from the Audit Committee, has again selected Ernst & Young LLP to serve as the Corporation's independent auditors for 2000. Although not required to do so, the Board is submitting the selection of this firm for ratification by the Corporation's shareholders to ascertain their views. Ernst & Young LLP has advised the Corporation that it has no direct, nor any material indirect, financial interest in the Corporation or any of its subsidiaries. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting with the opportunity to make a statement if the representative desires to do so, and such representative will be available to respond to appropriate questions.

The following resolution will be offered by the Board of Directors at the Annual Meeting:

RESOLVED: That the selection by the Board of Directors of Ernst & Young LLP as independent auditors for this Corporation and its subsidiaries for 2000 be, and hereby is, ratified and approved.

#### **The Board of Directors' Recommendation**

Your Board recommends that you vote FOR this resolution. Unless otherwise specified by the shareholder, the Board intends the accompanying proxy to be voted for this resolution.

#### 5. OTHER MATTERS

The Board of Directors knows of no other matters which may properly be brought before the Annual Meeting. However, if other matters should properly come before the Meeting, it is the intention of those named in the solicited proxy to vote such proxy in accordance with their best judgment.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors, executive officers, and persons who own more than 10% of a registered class of the Corporation's equity securities, to file with the Securities and Exchange Commission and the New York Stock Exchange reports on Forms 3, 4 and 5 concerning their ownership of the Common Stock and other equity securities of the Corporation.

Based solely on the Corporation's review of copies of such reports and written representations that no other reports were required, the Corporation believes that all of its directors and executive officers filed all of said reports on a timely basis during 1999.

#### **Deadlines for Submission of Shareholder Proposals**

There are two different deadlines for the submission of shareholder proposals.

Shareholder proposals which are being submitted for inclusion in the Corporation's proxy statement and form of proxy for the 2001 Annual Meeting of Shareholders must be received by the Corporation at its principal executive offices, 1221 Avenue of the Americas, New York, New York 10020, on or before November 26, 2000. Such proposals when submitted must be in full compliance with applicable laws, including Rule 14a-8 of the Securities Exchange Act of 1934.

Under the Corporation's By-Laws, shareholder proposals which are being submitted other than for inclusion in the Corporation's proxy statement and form of proxy for the 2001 Annual Meeting of Shareholders must be received by the Corporation at its principal executive offices, 1221 Avenue of the Americas, New York, New York 10020, no earlier than December 30, 2000 and no later than January 29, 2001. Such proposals when submitted must be in full compliance with applicable law and the Corporation's By-Laws.

#### **By Order of the Board of Directors**

Scott L. Bennett  
Senior Vice President, Associate General Counsel and Secretary

New York, New York  
March 23, 2000

**EXHIBIT A**

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**THE MCGRAW-HILL COMPANIES, INC.**  
**1993 EMPLOYEE STOCK INCENTIVE PLAN**  
(As amended and restated as of April 26, 2000)

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**THE MCGRAW-HILL COMPANIES, INC.**  
**1993 Employee Stock Incentive Plan**

SECTION 1. Purpose; Definitions.

The purpose of The McGraw-Hill Companies, Inc. 1993 Employee Stock Incentive Plan (the "Plan") is to enable The McGraw-Hill Companies, Inc. ("McGraw-Hill") to offer employees of the Company (as defined below) long term performance-based stock incentives and/or other equity interests in the Company, thereby attracting, retaining and rewarding such employees, and strengthening the mutuality of interests between employees and the Company's shareholders.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) "Board" means the Board of Directors of McGraw-Hill.
- (b) "Cause" shall mean the employee's misconduct in respect of the employee's obligations to the Company or other acts of misconduct by the employee occurring during the course of the employee's employment, which in either case results in or could reasonably be expected to result in material damage to the property, business or reputation of the Company; provided, that in no event shall unsatisfactory job performance alone be deemed to be "Cause"; and provided, further, that no termination of employment that is carried out at the request of a person seeking to accomplish a Change in Control or otherwise in anticipation of a Change in Control shall be deemed to be for "Cause."
- (c) "Change in Control" and "Change in Control Price" shall have meanings set forth, respectively, in Sections 10(b) and (c) below.
- (d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- (e) "Commission" means the Securities and Exchange Commission or any successor thereto.
- (f) "Committee" means the Compensation Committee of the Board. If at any time no Committee shall be in office, then the functions of the Committee specified in the Plan shall be exercised by the Board or by a committee of Board members.
- (g) "Company" means McGraw-Hill, a corporation organized under the laws of the State of New York, or any successor corporation, and includes all domestic and foreign corporations, partnerships and other legal entities in which at least 20% of the voting securities or ownership interests are owned directly or indirectly by McGraw-Hill.
- (h) "Disability" means disability as determined under procedures established by the Committee for purposes of this Plan.
- (i) "Early Retirement" means retirement, with the approval of the Committee for purposes of one or more award(s) hereunder, from active employment with the Company prior to age 65, provided that the Committee may establish rules and procedures pursuant to which the Committee's approval shall be deemed to have been given.
- (j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.
- (k) "Fair Market Value" for purposes of this Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, shall mean, as of any given date, the mean between the highest and lowest prices at which the Stock is actually traded on such date as reflected in the New York Stock Exchange Composite Transactions, or, if there is no sale of the Stock on such date, the mean between the bid and asked prices on such Exchange at the close of the market on such date or, if there is no bid and asked activity on such date, such value as may be determined by the Committee in good faith.
- (l) "Incentive Stock Option" means any Stock Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.
- (m) "Individual Limit" shall have the meaning set forth in Section 3.
- (n) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

(o) "Normal Retirement" means retirement from active employment with the Company on or after age 65.

(p) "Other Stock-Based Award" means an award under Section 8 below that is payable in cash or Stock and is valued in whole or in part by reference to, or is otherwise based on, Stock.

(q) "Plan" means The McGraw-Hill Companies, Inc. 1993 Employee Stock Incentive Plan, as hereinafter amended from time to time, including any rules, guidelines or interpretations of the Plan adopted by the Committee.

(r) "Qualifying Award" means an award under the Plan made in accordance with the provisions of Section 9.

(s) "Restricted Stock" means an award of shares of Stock that is subject to restrictions under Section 7 below.

(t) "Retirement" means Normal or Early Retirement.

(u) "Stock" means the Common Stock, \$1.00 par value per share, of McGraw-Hill.

(v) "Stock Appreciation Right" means the right pursuant to an award granted under Section 6 below to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount equal to the difference between (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is surrendered, of the shares of Stock covered by such Stock Option (or such portion thereof), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof).

(w) "Stock Option" or "Option" means any option to purchase shares of Stock granted pursuant to Section 5 below.

## SECTION 2. Administration.

(a) The Plan shall be administered by the Committee. The Committee shall have full authority to grant, pursuant to the terms of the Plan, to officers and other employees eligible under Section 4: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock and/or (iv) Other Stock-Based Awards.

In particular, the Committee shall have the authority:

(i) to select the officers and other employees of the Company to whom Stock Options, Stock Appreciation Rights, Restricted Stock and/or Other Stock-Based Awards may from time to time be granted hereunder;

(ii) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock and/or Other Stock-Based Awards or any combination thereof, are to be granted hereunder to one or more eligible employees;

(iii) to determine the number of shares to be covered by each such award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price, any restriction or limitation, or any vesting acceleration or forfeiture waiver regarding any Stock Option or other award and/or the shares of Stock relating thereto, based on such factors as the Committee shall determine, in its sole discretion);

(v) to determine whether, to what extent and under what circumstances grants of Options and/or other awards under this Plan are to operate on a tandem basis and/or in conjunction with or apart from other cash awards made by the Company outside of this Plan; and

(vi) to determine whether, to what extent and under what circumstances a Stock Option may be settled in cash under Section 5(k).

(b) Subject to Section 11 hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan.

Subject to Section 11 hereof, all decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and Plan participants.

### SECTION 3. Stock Subject to Plan.

(a) The total number of shares of Stock reserved and available for distribution under the Plan shall be the aggregate of (i) 18,990,978 shares (previously approved by the shareholders of the Company on April 28, 1993 and April 30, 1997) and (ii) 4.9 % of the number of issued and outstanding shares as of the shareholder record date for the Annual Meeting of Shareholders to be held on April 26, 2000. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. In addition, subject to Section 9(b), no eligible person may be granted in any 60-month period beginning on or after April 26, 2000 Stock Options (including, for this purpose, Stock Options granted in tandem with a Stock Appreciation Right or Limited Stock Appreciation Right) under the Plan which, in the aggregate, cover more than 2,000,000 shares of Stock (the "Individual Limit").

(b) The aggregate number of shares of Stock awarded or granted by the Company under this Plan beginning on or after April 26, 2000 for Restricted Stock and Other Stock-Based Awards shall not exceed 33% of the shares of Stock available for awards or grants of Stock by the Company under the Plan as of April 26, 2000. There shall be no comparable limitation, however, on the aggregate number of shares of Stock awarded or granted by the Company under this Plan for Stock Options or Stock Appreciation Rights.

(c) To the extent that any shares of Stock that are subject to any Restricted Stock or Other Stock-Based Award granted hereunder are forfeited or any such award otherwise terminates without payment being made to the participant in the form of Stock, such shares shall again be available for distribution in connection with future grants and awards under the Plan. Subject to Section 6(b)(iv) if any shares of Stock that have been optioned cease to be subject to a Stock Option without being exercised, such shares shall again be available for distribution in connection with future grants and awards under the Plan. In addition, shares of Stock tendered to the Company to pay the exercise price of a Stock Option shall again be available for issuance under the Plan.

(d) In the event of any merger, reorganization, consolidation, recapitalization, Stock dividend (other than a dividend or its equivalent which is credited to a Plan participant or a regular cash dividend), Stock split, spinoff or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the aggregate number and the kind of shares reserved for issuance under the Plan, in the maximum number of shares issuable to any single participant, in the number, kind and option price of shares subject to outstanding Options granted under the Plan, and in the number and kind of the shares subject to other outstanding awards (including but not limited to awards of Restricted Stock and Other Stock-Based Awards) granted under the Plan, as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. Such adjusted option price shall also be used to determine the amount payable by the Company upon the exercise of any Stock Appreciation Right associated with any Stock Option.

### SECTION 4. Eligibility.

Officers and other employees of the Company (but excluding members of the Committee and any person who serves only as a director of the Board) who are responsible for or contribute to the management, growth and/or profitability of the business of the Company are eligible to be granted Options and/or other awards under the Plan. Eligibility under the Plan shall be determined solely by the Committee.

### SECTION 5. Stock Options.

Stock Options may be granted alone or in addition to other awards granted under the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be of two types; (i) Incentive Stock Options and (ii) Non-Qualified Stock Options.

The Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options (in each case with or without Stock Appreciation Rights). To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option.

Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall be not less than 100% of the Fair Market Value of the Stock at grant.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Option shall be exercisable more than ten years after the date the Option is granted.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant provided, however, that, except as provided in Sections 5(f), (g) and (h) and Section 10, unless otherwise determined by the Committee at or after grant, no Stock Option shall be exercisable prior to the first anniversary date of the granting of the Option. If the Committee provides, in its discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) Method of Exercise.

(i) Subject to whatever installment exercise and waiting period provisions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price in such form as the Committee may accept.

(ii) If and to the extent determined by the Committee in its sole discretion at or after grant, payment in full or in part may also be made in the form of unrestricted Stock duly owned for a period of six months or more by the optionee (and for which the optionee has good title free and clear of any liens and encumbrances) based, in each such case, on the Fair Market Value of the Stock on the last trading date preceding payment, as determined by the Committee. Unless otherwise determined by the Committee at or after grant, such payment may be made by constructive delivery of such shares of owned and unrestricted Stock pursuant to an attestation form as determined by the Committee.

(iii) No shares of Stock shall be issued until payment therefor, as provided herein, has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid for such shares as provided herein, and, if requested, has given the representation described in Section 13(a).

(e) Non-Transferability of Options. Unless the Committee determines otherwise at or after grant, no Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and, unless the Committee determines otherwise at or after grant, all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(f) Termination by Death. Subject to Section 5(j), if an optionee's employment by the Company terminates by reason of death, any Stock Option held by such optionee, unless otherwise determined by the Committee at or after grant, shall be fully vested and may thereafter be exercised by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of one year (or such other period as the Committee may specify at or after grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) Termination by Reason of Disability. Subject to Section 5(j), if an optionee's employment by the Company terminates by reason of Disability, any Stock Option held by such optionee, unless otherwise determined by the Committee at or after grant, shall be fully vested and may thereafter be exercised by the optionee for a period of three years (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such three-year period (or such other period as the Committee shall specify at or after grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of

Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(h) Termination by Reason of Retirement. Subject to Section 5(j), if an optionee's employment by the Company terminates by reason of Normal Retirement, any Stock Option held by such optionee, unless otherwise determined by the Committee at or after grant, shall be fully vested and may thereafter be exercised by the optionee for a period of three years (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such three-year period (or such other period as the Committee shall specify at or after grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of twelve

(12) months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. Unless the Committee otherwise determines at or after the time of grant, if an optionee's employment with the Company terminates by reason of Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee to the extent it was exercisable at the date of retirement for a period of thirty-six (36) months (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is shorter; provided, however, if the optionee dies within such thirty-six month period (or such other period as the Committee shall specify at or after grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter. If and only if the Committee so approves at the time of Early Retirement, if an optionee's employment with the Company terminates by reason of Early Retirement, any Stock Option held by the optionee shall be fully vested and may thereafter be exercised by the optionee as provided above in connection with termination of employment by reason of Normal Retirement. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, the option will thereafter be treated as a Non-Qualified Stock Option.

(i) Other Termination. Unless otherwise determined by the Committee at or after the time of grant, if an optionee's employment terminates for any reason other than death, Disability, Retirement or for Cause, any Stock Option held by such optionee, unless otherwise determined by the Committee at or after grant, may thereafter be exercised by the optionee to the extent it was exercisable at the date of termination for a period of six months (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, if the optionee dies within such six-month period (or such other period as the Committee shall specify at or after grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable to the extent that it was exercisable at the date of termination for a period of twelve months from the time of such death, or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option. If an optionee's employment with the Company is involuntarily terminated by the Company for Cause, the Stock Option shall thereupon terminate and shall not be exercisable thereafter.

(j) Special Rules Applicable to Incentive Stock Options. To the extent (i) a participant's employment with the Company is terminated by reason of death, Disability or Retirement and (ii) the portion of any Incentive Stock Option that is otherwise first exercisable in any calendar year during the post-termination period specified under Section 5(f), (g) or (h), applied without regard to the \$100,000 limitation contained in Section 422(d) of the Code, is greater than the portion of such option that is immediately exercisable as an "incentive stock option" in any calendar year during such post-termination period under Section 422, such excess shall be treated as a Non-Qualified Stock Option. If the exercise of an Incentive Stock Option is accelerated by reason of a Change In Control, any portion of such option that is not exercisable as an Incentive Stock Option by reason of the \$100,000 limitation contained in Section 422(d) of the Code shall be treated as a Non-Qualified Stock Option.

(k) Buyout and Settlement Provisions. The Committee may at any time cause the Company to offer to buy out an Option previously granted, based on such terms and conditions as the Committee shall approve and communicate to the optionee at the time that such offer is made.

## SECTION 6. Stock Appreciation Rights.

(a) Grant and Exercise. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Stock Option.

A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, except that, unless otherwise determined by the Committee, in its sole discretion, at the time of grant, a Stock Appreciation Right granted with respect to less than the full number of shares covered by a related Stock Option shall not be reduced until the number of shares covered by an exercise or termination of the related Stock Option exceeds the number of shares not covered by the Stock Appreciation Right.

A Stock Appreciation Right may be exercised by an optionee, in accordance with Section 6(b), by surrendering the applicable portion of the related Stock Option. Upon such exercise and surrender, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the related Stock Appreciation Rights have been exercised.

(b) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(i) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan.

(ii) Upon the exercise of a Stock Appreciation Right, an optionee shall be entitled to receive up to, but not more than, an amount in cash and/or shares of Stock equal in value to the excess of the Fair Market Value of one share of Stock over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised. Subject to Section

6(b)(v), the form of payment of a Stock Appreciation Right may be specified by the Committee at or after the date of grant or be subject to Committee approval after grant, or the Committee may specify at or after the time of grant that a participant may elect the form of payment at the time of the exercise of a Stock Appreciation Right.

(iii) Stock Appreciation Rights shall be transferable only when and to the extent that the underlying Stock Option would be transferable under Section 5(e) of the Plan.

(iv) Upon the exercise of a Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in the first sentence of Section 3 of the Plan on the number of shares of Stock to be issued under the Plan, but only to the extent of the number of shares issued under the Stock Appreciation Right at the time of exercise based on the value of the Stock Appreciation Right at such time.

(v) In its sole discretion, the Committee may grant at or after the date of grant of an Option "Limited Stock Appreciation Rights" i.e., Stock Appreciation Rights that become exercisable only in the event of a Change in Control, subject to such terms and conditions as the Committee may specify at grant. Said Limited Stock Appreciation Rights shall be settled solely in cash.

## SECTION 7. Restricted Stock.

(a) Administration. Shares of Restricted Stock may be issued either alone or in addition to other awards granted under the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient (subject to Section 7(b)), the time or times within which such awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the awards.

The Committee may condition the grant of Restricted Stock upon the attainment of specified performance goals or such other factors as the Committee may determine, in its sole discretion.

The provisions of Restricted Stock awards need not be the same with respect to each recipient, and such awards to individual recipients need not be the same in subsequent years.

(b) Awards and Certificates. The prospective recipient of a Restricted Stock award shall not have any rights with respect to such award, unless and until such recipient has executed an agreement evidencing the award and has delivered a fully executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of such award. Further, such award shall be subject to the following conditions:

(i) The purchase price, if any, for shares of Restricted Stock shall be set by the Committee at the time of grant.

(ii) Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the award date, by executing a Restricted Stock Award Agreement and by paying whatever price (if any) is required under Section 7(b)(i).

(iii) Each participant receiving a Restricted Stock award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of The McGraw-Hill Companies, Inc. 1993 Employee Stock Incentive Plan, as restated and amended, and an Agreement entered into between the registered owner and The McGraw-Hill Companies, Inc. dated . Copies of such Plan and Agreement are on file in the offices of The McGraw-Hill Companies, Inc., 1221 Avenue of the Americas, New York, NY 10020."

(iv) The Committee shall require that the stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock award, the participant shall have delivered a duly signed stock power, endorsed in blank, relating to the Stock covered by such award. The Company may, in lieu of the above provisions of this subparagraph (iv) and the aforesaid subparagraph (iii) with respect to stock certificates, provide for a book entry on behalf of the participant in respect of such shares of Restricted Stock which shall be subject to the same limitations contained therein.

(c) Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to this Section 7 shall be subject to the following restrictions and conditions:

(i) Unless otherwise determined at or after grant by the Committee, shares of Restricted Stock shall not vest prior to the first anniversary of the granting of such Restricted Stock.

(ii) Subject to the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock awarded under the Plan. Within these limits, the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance and/or such other factors or criteria as the Committee may determine, in its sole discretion.

(iii) Except as provided in Section 7(c)(ii), the participant shall have, with respect to the shares of Restricted Stock, the right to vote the shares, and the right to receive any dividend or dividend equivalent payments in cash with respect to such shares.

(iv) Subject to the applicable provisions of the award agreement and this Section 7, upon termination of a participant's employment with the Company for any reason during the Restriction Period, all shares still subject to restriction will vest or be forfeited in accordance with the terms and conditions established by the Committee at or after grant.

(v) In the event of hardship or other special circumstances of a participant whose employment with the Company is involuntarily terminated (other than for Cause), the Committee may, in its sole discretion, waive

in whole or in part any or all remaining restrictions with respect to such participant's shares of Restricted Stock based on such factors as the Committee may deem appropriate.

(vi) If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered to the participant. Subject to Section 13(a), all legends shall be removed from said certificates at the time of delivery to the participant.

#### SECTION 8. Other Stock-Based Awards.

(a) Administration. Other awards of Stock and other awards that are payable in cash or Stock and are valued in whole or in part by reference to, or are otherwise based in whole or in part on, Stock ("Other Stock-Based Awards"), including, without limitation, cash or Stock settled performance shares, cash or Stock settled stock appreciation rights, shares valued by reference to subsidiary performance, and phantom stock and similar units, may be granted either alone or in addition to or in tandem with Stock Options, Stock Appreciation Rights, or Restricted Stock.

Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such awards shall be made, the number of shares of Stock to be awarded pursuant to such awards, the cash payment to be made pursuant to any such award, and all other conditions of the awards. The Committee may also provide for the grant of Stock under such awards upon the completion of a specified performance period.

The provisions of Other Stock-Based Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Other Stock-Based Awards made pursuant to this Section 8 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan and the award agreement referred to in Section 8(b)(v) below, the participant's rights with respect to the award, including the shares subject to awards made under this Section 8, may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(ii) Unless otherwise determined by the Committee at the time of award, subject to the provisions of this Plan and the award agreement, the recipient of an award under this Section 8 shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares or deemed number of shares covered by the award, as determined at or after the time of the award by the Committee, in its sole discretion.

(iii) Any award under this Section 8, any cash payment covered by any such award and any Stock covered by any such award shall vest or be forfeited to the extent so provided in the award agreement, as determined by the Committee, in its sole discretion.

(iv) In the event of the participant's Retirement, Disability or death, or in cases of special circumstances, the Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an award under this Section 8.

(v) Each award under this Section 8 shall be confirmed by, and subject to the terms of, an agreement or other instrument by the Company and by the participant.

(vi) Stock issued on a bonus basis under this Section 8 may be issued for no cash consideration.

#### SECTION 9. Qualifying Awards.

(a) General. The Committee may, in its sole discretion, grant an award to any participant with the intent that such award qualifies as "performance-based compensation" for "covered employees" under Section 162(m) of the Code (a "Qualifying Award"). The provisions of this Section 9 as well as all other applicable provisions of the Plan not inconsistent with this Section 9 shall apply to all Qualifying Awards issued under the Plan. Qualifying Awards shall be of the type set forth in paragraph (b) or (c) below.

(b) Qualifying Stock Options and Stock Appreciation Rights. Qualifying Awards may be issued as Stock Options and Stock Appreciation Rights granted by the Committee and subject to the Individual Limit.

(c) Qualifying Awards other than Stock Options and Stock Appreciation Rights.

(i) Qualifying Awards (other than Stock Options and Stock Appreciation Rights) may be issued as performance grants and any other award whose payment is conditioned upon the achievement of the performance objectives described in this paragraph. Amounts earned under such Qualifying Awards shall be based upon the attainment of performance objectives for the performance goals established by the Committee for a performance cycle in accordance with the provisions of Section 162(m) of the Code and the applicable regulations thereunder related to performance-based compensation. More than one performance goal may apply to a given performance cycle and payments may be made for a given performance cycle based upon the attainment of the performance objectives for any of the performance goals applicable to that cycle. The duration of a performance cycle shall be determined by the Committee, and the Committee shall be authorized to permit overlapping or consecutive performance cycles. The performance goals and the performance objectives applicable to a performance cycle shall be established by the Committee in accordance with the timing requirements set forth in Section 162(m) of the Code and the applicable regulations thereunder. The performance goals that may be selected by the Committee for a performance cycle include any of the following: diluted earnings per share, net income, net operating income, pretax profit, revenue growth, return on sales, return on equity, return on assets, return on investment, total return to shareholders, and cash flow, each of which may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, acquired businesses, minority investments, partnerships or joint ventures. The Committee shall have the discretion, by participant and by award, to reduce (but, in the case of Qualifying Awards only, not to increase) some or all of the amount that would otherwise be payable under the award by reason of the satisfaction of the performance objectives set forth in the Qualifying Award.

(ii) For any performance cycle with a duration of thirty-six months, no participant may receive Qualifying Awards under this Section 9(c) covering more than 150,000 shares of Stock or which provide for the payment for such performance cycle of more than 150,000 shares of Stock (or cash amounts based on the value of more than 150,000 shares of Stock). For a performance cycle that is longer or shorter than thirty-six months, the maximum limits set forth in the previous sentence shall be adjusted by multiplying such limit by a fraction, the numerator of which is the number of months in the performance cycle and the denominator of which is thirty-six. Anything in the Plan to the contrary notwithstanding other than Section 10, no amounts shall be paid in respect of a Qualifying Award granted under this Section 9(c) unless, prior to the date of such payment, the Committee certifies, in a manner intended to meet the requirements of Section 162(m) of the Code and the applicable regulations thereunder related to performance based compensation, that the criteria for payment of Qualifying Awards related to that cycle have been achieved.

SECTION 10. Change In Control Provisions.

(a) Impact of Event. In the event of a "Change in Control" as defined in Section 10(b), unless otherwise determined by the Committee at the time of grant, the following acceleration and valuation provisions shall apply notwithstanding any other provision of the Plan:

(i) Any Stock Appreciation Rights (including, without limitation, any Limited Stock Appreciation Rights) and any Stock Options (including Qualifying Awards) awarded under the Plan not previously exercisable and vested shall become fully exercisable and vested and shall remain exercisable for the remainder of their original terms, notwithstanding any subsequent termination of the applicable participant's employment for any reason.

(ii) The restrictions and deferral limitations applicable to any Restricted Stock and Other Stock-Based Awards (including Qualifying Awards), in each case to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested, notwithstanding any subsequent termination of the applicable participant's employment for any reason.

(iii) All outstanding Stock Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards (including Qualifying Awards), shall either (A) be cashed out by the Company on the basis of the "Change in Control Price" as defined in Section 10(c) as of the date such Change in Control is determined to have occurred or (B) be converted into awards based upon publicly traded common stock of the corporation that acquires the Company in, with which the Company merges in, or which otherwise results from, the Change of Control, with appropriate adjustments pursuant to Section 3(d) to preserve the value of the awards. The Committee shall determine, in its sole discretion, which of the foregoing clauses (A) and (B)

shall apply; provided, however, that the Committee shall be obligated to make such determination not later than three business days prior to a Change in Control; provided, further, that if no such determination is made by the Committee in accordance with the preceding clause, then the provisions of Section 10(a)(iii)(A) herein shall apply. In the event that the provisions of Section 10(a)(iii)(B) herein shall apply following a determination by the Committee, then all no-trading policies and other internal corporate approvals required with respect to the exercise or sale of Stock Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards (including Qualifying Awards) and/or the underlying shares of Stock shall be waived.

(b) Definition of "Change in Control". For purposes of this Plan, the term "Change in Control" shall mean any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); excluding, however, the following: (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company; (2) any acquisition by the Company; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; or (4) any acquisition pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 10(b); or

(ii) A change in the composition of the Board of Directors such that the individuals, who, as of the Restatement Date (as defined in Section 14(b)), constitute the Board of Directors (such Board of Directors shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 10(b), that any individual who becomes a member of the Board of Directors subsequent to the Restatement Date, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board of Directors and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors shall not be so considered as a member of the Incumbent Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ("Corporate Transaction"); excluding, however, such a Corporate Transaction pursuant to which (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction, and (3) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(iv) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) Change in Control Price. For purposes of this Section 10, "Change in Control Price" means the highest price per share paid in any transaction reported on the New York Stock Exchange Composite Index, or paid or offered in the transaction or transactions that result in the Change in Control or any other bona fide transaction related to a Change in Control or possible change in control of McGraw-Hill at any time during the sixty-day period ending on the date of the Change in Control, as determined by the Committee except that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, such price shall be based only on transactions reported for the date on which the optionee exercises such Incentive Stock Options or Stock Appreciation Rights (or, where applicable, the date on which a cash-out occurs under Section 10(a)(iii)).

#### SECTION 11. Amendments and Termination.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, Stock Appreciation Right, Limited Stock Appreciation Right, Restricted Stock award or Other Stock-Based Award theretofore granted, without the optionee's or participant's consent. In addition, the Board shall have the right to amend, modify or remove the provisions of the Plan which are included to permit the Plan to comply with the "performance-based" exception to Section 162(m) of the Code if Section 162(m) of the Code is subsequently amended, deleted or rescinded.

The Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment or other action by the Committee shall impair the rights of any holder without the holder's consent.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

#### SECTION 12. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Company, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Company.

#### SECTION 13. General Provisions.

(a) The Committee may require each person purchasing shares pursuant to a Stock Option or other award under the Plan to represent to and agree with the Company in writing that the optionee or participant is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Commission, any stock exchange upon which the Stock is then listed, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The adoption of the Plan shall not confer upon any employee of the Company any right to continued employment with the Company as the case may be, nor shall it interfere in any way with the right of the Company to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for income tax purposes with respect to any Option or other award under the Plan (including dividends or dividend equivalents on any non-vested Restricted Stock award or Other Stock-Based Award), the participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, FICA, state, or local taxes of any kind required by law to be withheld or paid with respect to such amount. Unless otherwise determined by the Committee, tax withholding or payment obligations may be settled with Stock, in-

cluding Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of New York.

(f) Any award payment under this Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

#### SECTION 14. Effective Date of Plan.

(a) The Plan originally became effective as of February 24, 1993, with the approval of the Plan by the holders of a majority of the shares of the Company's Stock and \$1.20 Convertible Preference Stock, \$10 par value, voting together as a single class and not as separate classes ("Approval"), at the 1993 annual shareholders meeting held as of April 28, 1993. Amendments to the Plan submitted to shareholders at the Company's annual shareholders meeting held on April 30, 1997 became effective as of January 1, 1997, with Approval, provided that with respect to the qualifications of Committee members contained herein such amendments became effective as of November 1, 1996.

(b) The Plan as amended and restated herein shall be effective as of January 1, 2000 (the "Restatement Date"), subject to the Approval of the restated Plan at the 2000 annual shareholders meeting scheduled to be held as of April 26, 2000.

#### SECTION 15. Term of Plan.

No Stock Option, Stock Appreciation Right, Restricted Stock or Other Stock-Based Award shall be granted pursuant to the Plan on or after the tenth anniversary of the date of initial shareholder approval, but awards granted prior to such tenth anniversary may extend beyond that date; provided, however, that no Incentive Stock Option shall be granted after the tenth anniversary of the initial adoption of the Plan by the Board.

**EXHIBIT B**

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**THE MCGRAW-HILL COMPANIES, INC.**

**1996 KEY EXECUTIVE SHORT-TERM INCENTIVE COMPENSATION PLAN**

(As amended and restated as of April 26, 2000)

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## SECTION 1. Purpose

The 1996 Key Executive Short-Term Incentive Compensation Plan is intended to increase the profitability of The McGraw-Hill Companies by providing the opportunity for key executives to earn incentive payments based upon individual achievement and company performance. It is the purpose of the Plan to motivate key executives to the attainment of demanding goals by providing recognition and rewards in the form of incentive awards. The Plan has the further purpose of fulfilling the Corporation's objective of offering a fully competitive total compensation package to its key employees, thus enabling The McGraw-Hill Companies to attract and retain executives of the highest caliber and ability.

## SECTION 2. Definitions

The following terms used in the Plan are defined as follows:

Award Year--the calendar year of the Corporation during which Performance Objectives must be achieved by the Participant.

**Board of Directors--the Corporation's Board of Directors.**

**CEO--the Chief Executive Officer of the Corporation.**

Committee--the Compensation Committee, or a special subcommittee thereof, of the Board of Directors. The Committee, or the special subcommittee thereof, shall be composed solely of two or more "outside directors" as defined in the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended ("the Code").

**Corporation--The McGraw-Hill Companies, Inc.**

Covered Employee--a Participant designated prior to the grant of an Award by the Committee as being expected to be a "covered employee" within the meaning of Section 162(m)(3) of the Code in the taxable year in which the Corporation would become entitled to take a compensation deduction as a result of the payment of the Award (determined without regard to the limitation on deductibility imposed by Section 162(m) of the Code).

Disability--means eligibility for disability benefits under the terms of McGraw-Hill's Long-Term Disability Plan in effect at the time the Participant becomes disabled.

Early Retirement--means, with the approval of the Committee, termination of employment under a retirement plan of The McGraw-Hill Companies provided that a participant is age 55 or older with at least 10 years of service and is eligible to receive a McGraw-Hill pension benefit payable upon termination.

Management--The CEO and such other member of The McGraw-Hill Companies management as the CEO may from time to time designate to take action with respect to the Plan.

McGraw-Hill or The McGraw-Hill Companies--The McGraw-Hill Companies, Inc. and its 20% or more owned subsidiaries and partnerships in which The McGraw-Hill Companies own 20% or more of the partnership interests.

Normal Retirement--means termination of employment from the Corporation on or after age 65.

Participant--a key executive of The McGraw-Hill Companies whose decisions and actions significantly affect the Corporation's growth and profitability and who receives an award opportunity under the Plan as determined by the Committee.

Performance Objectives--significant financial or individual objectives to be achieved by the Participant during the Award Year and upon which the percentage of payment of the Target Award shall be based.

Plan--The McGraw-Hill Companies, Inc. 1996 Key Executive Short-Term Incentive Compensation Plan.

**Retirement--means Normal or Early Retirement.**

Target Award--the payment that shall be made to the Participant if the Participant's Performance Objectives are achieved during the applicable Award Year.

### SECTION 3. Effective Date

The Plan originally became effective as of January 1, 1996, with the approval by shareholders at the 1996 Annual Meeting. The 1996 calendar year was the first Award Year of the Plan. The Plan, as amended and restated herein, shall be effective as of January 1, 2000, subject to the approval of shareholders at the 2000 Annual Meeting. No future awards shall be granted subsequent to the 2005 Award Year unless the Plan is extended by the Board of Directors.

### SECTION 4. Administration

The Committee shall be responsible for the implementation and administration of the Plan. No Committee member shall be eligible for a Target Award under the Plan while serving as a Committee member. The Committee's functions shall include, but not be limited to: (a) interpretation of the Plan (which interpretation shall be final and binding, unless otherwise determined by the Board of Directors) and establishment of the rules and regulations governing Plan administration; (b) selection of Participants; (c) determination of Target Awards; (d) approval of Performance Objectives; (e) determination of the degree of the attainment of the Performance Objectives; and (f) determination of the size of individual awards and payments to Participants. In reaching its decisions, the Committee shall consider recommendations made by Management. The Committee may, in discharging its responsibilities under the Plan, delegate such duties to officers or other employees of The McGraw-Hill Companies as it deems appropriate, with the exception of decisions which affect the Covered Employees. In addition, the Committee is authorized to use the services of the Corporation's Corporate Audit Department and/or independent auditors to determine the level of achievement of Performance Objectives, subject to the certification of the Committee with respect to the achievement of the Performance Objectives for the Covered Employees.

### SECTION 5. Eligibility

The Committee shall select Participants based on recommendations of Management. Selection as a Participant shall be limited to those key employees of The McGraw-Hill Companies who, by virtue of their positions, have a demonstrable impact on either the profitability of a major business unit of The McGraw-Hill Companies, or upon the overall profitability of The McGraw-Hill Companies. No Committee member shall be eligible to be a Participant while serving as a Committee member, but a director of the Corporation who is also a full-time employee, but not a member of the Committee, shall be eligible to be a Participant. No Participant or employee of The McGraw-Hill Companies shall have any right to be awarded any Target Award or actual payment under the Plan. In addition to or in lieu of awards granted to Participants pursuant to this Plan, the Committee may from time to time make grants and awards to Participants pursuant to the 1993 Employee Stock Incentive Plan and/or other incentive compensation plans of the Corporation.

### SECTION 6. Target Award

The amount of the Target Award for each Participant shall be determined by the Committee at or near the start of the applicable Award Year based upon Management's recommendation. For Covered Employees, the Target Award, the related award schedule and the Performance Objective(s) shall be established within 90 days of the beginning of the Plan Year.

### SECTION 7. Performance Objectives

Performance Objectives for each Participant shall be established as provided in this section at demanding levels so that their achievement reflects commendable performance by the Participant. The Performance Objectives may consist of Financial Objectives, Individual Objectives or a combination of Financial and Individual Objectives. With respect to Covered Employees, the Performance Objectives shall consist of Financial Objectives only. Financial and Individual Objectives are defined as follows:

(a) Financial Objectives--Financial Objectives shall be expressed in terms of one or more of the following performance measures established by the Committee for each year: diluted earnings per share, net income, net operating income, pre-tax profit, revenue growth, return on sales, return on equity, return on assets, return on investment, total return to shareholders, and cash flow, each of which may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, acquired businesses, minority investments, partnerships or joint ventures. At the same time, a "range" of achievement for

financial objectives ranging from "zero" to "target" (100% of Target Award relating to Financial Objectives) to "maximum" shall be established. The Committee shall have the authority to alter or adjust Financial Objectives during the course of an Award Year, or to alter or adjust the financial results otherwise reported or achieved by the Corporation during such Award Year, if it is deemed appropriate to do so, except with respect to the Covered Employees who are subject to the terms of the last sentence of Section 9(b).

(b) Individual Objectives--Individual Objectives, if appropriate for a Participant, shall be expressed in terms of significant qualitative or quantitative individual goals to be achieved during the Award Year. Individual Objectives usually shall be established jointly by the Participant and the Participant's immediate superior, subject to approval by the CEO, or his delegate. Individual Objectives for all Participants in Grades 28 and above shall be reviewed by the Committee for consistency with overall Corporate goals and individual equity. A Participant's Individual Objectives may be altered or amended during an Award Year, if necessary, to properly reflect changed business conditions and priorities, subject to approval by the CEO or his delegate.

#### SECTION 8. Notice of Award

Except as may otherwise be determined by the Committee, a Participant shall be notified in writing on or near the start of the Award Year of the amount of the Participant's Target Award and the Performance Objectives.

#### SECTION 9. Award Determination

As soon as practicable following the completion of each Award Year, the level of achievement of Performance Objectives for each Participant and the amount of the Award payment shall be determined by Management and with respect to Covered Employees approved by the Committee. The Award payments for Participants in Grade 28 and above, including the Covered Employees, are subject to review and approval by the Committee. The level of achievement of the Performance Objectives shall be determined in the following manner:

(a) Financial Objectives--For performance at or below the "zero" level of achievement, there shall be no payment. Performance between the "zero" level of achievement and the "target" level shall result in a payment in accordance with the established range of achievement payment schedule. Performance between the "target" and the "maximum" level of achievement shall result in a payment in accordance with the established range of achievement payment schedule.

(b) Adjustments in Financial Calculations--Except as provided below with respect to Covered Employees, the Committee in its sole discretion has the authority to effect adjustments from time to time in connection with determining the degree of achievement of the Financial Objectives for The McGraw-Hill Companies or a business unit of The McGraw-Hill Companies for the applicable year in question, and to make any other determinations, as it deems equitable, fair or advisable for the purpose of ascertaining the amount of any payments under this Plan. With respect to Covered Employees, the Committee shall have no discretion to increase, but may decrease, the amount of an award payable based upon the range of achievement of the Financial Objectives established under Sections 6 and 7 hereof.

(c) Individual Objectives--The attainment of Individual Objectives shall be determined by the Participant's superior, subject to review by Management and for Participants in Grade 28 and above by the Committee for consistent and equitable evaluations and judgments.

(d) Actual Awards--The sum of the award based on achievement of Financial Objectives and, if applicable, Individual Objectives.

(e) Maximum Awards--Where one or more objectives (but not necessarily all) have been clearly and demonstrably exceeded, a Participant (other than a Covered Employee) may be paid an amount in excess of the portion of the award related to such objectives. The maximum award payable to any Covered Employee and any Participant for any Plan Year is \$3,000,000.

#### SECTION 10. Payment of Awards

Award payments shall be made, less required tax and applicable benefits withholdings, as soon as practicable after the determination and final approval of such payments as provided in Section 9.

## SECTION 11. Termination of Employment

If a Participant's employment with The McGraw-Hill Companies terminates during an Award Year because of death, Disability, Retirement or termination by the Corporation other than for Cause, the Participant (or the Participant's designated beneficiary or estate in the absence of a surviving designated beneficiary) shall receive a pro rata Award payment based on the portion of the Award Year the Participant was employed by The McGraw-Hill Companies in an eligible position while the Target Award was outstanding and the degree to which during such Award Year the Performance Objectives were achieved. A Participant whose employment with The McGraw-Hill Companies terminates during an Award Year or prior to the payment date for Cause, or who voluntarily resigns, shall not be eligible for any payment of an Award for such Award Year. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of The McGraw-Hill Companies. A leave of absence, approved by the Committee, shall not be deemed to be a termination of employment for purposes of this Plan, and may warrant a full or pro rata award as determined by the Committee.

No Award shall be payable to any Participant who voluntarily resigns his/her employment or is terminated for Cause prior to the payment date for such Award. For purposes of the preceding sentence, death, Disability or Retirement, or termination by the Corporation other than for Cause, shall not be deemed a voluntary resignation.

For purposes of this Section 11, "Cause" shall mean the employee's misconduct in respect of the employee's obligations to the Corporation or other acts of misconduct by the employee occurring during the course of the employee's employment, which in either case results in or could reasonably be expected to result in material damage to the property, business or reputation of the Corporation; provided, that in no event shall unsatisfactory job performance alone be deemed to be "Cause"; and provided, further, that no termination of employment that is carried out at the request of a person seeking to accomplish a Change in Control or otherwise in anticipation of a Change in Control shall be deemed to be for "Cause".

## SECTION 12. Transfer

If a Participant (other than a Covered Employee) is transferred within The McGraw-Hill Companies during an Award Year to a position that is not considered as eligible for participation in the Plan, the Committee may, in its sole and absolute discretion, authorize a pro rata award payment based on the number of full months during which the Participant was in an eligible position while the Target Award was outstanding and the degree to which during such Award Year the Performance Objectives were achieved.

## SECTION 13. Amendment, Suspension or Termination of Plan

The Board of Directors may at any time based upon a recommendation of the Committee, amend, suspend, or terminate the Plan, except that, (A) without approval of the shareholders, the Board or Committee may not change (i) the performance measures in Section 7(a) with respect to Covered Employees, (ii) the individuals or class of individuals eligible to participate in the Plan, or (iii) the maximum amount payable to a Covered Employee under the Plan; and (B) Section 16, as it applies to any Change in Control, may not be amended following that Change in Control, nor may Section 16 be amended in anticipation of a Change in Control, in either case in a manner adverse to any Participant, without that Participant's express written consent.

## SECTION 14. Non-Assignment of Rights

A Participant's Target Award may not be assigned or transferred, and is not subject to attachment, garnishment, execution, or other creditor's processes. In the event of a Participant's death, the payment of the Award as provided in the Plan, if any, shall be made to the Participant's designated beneficiary, or estate in the absence of a surviving beneficiary.

## SECTION 15. Costs of Plan

The expenses incurred in administering the Plan, including any Committee fees, charges by the Corporation's independent auditors, or other costs, shall be borne by the Corporation.

## SECTION 16. Change in Control

### **In the event of a Change in Control of the Corporation, then:**

(a) immediately after such event becomes effective (the "Effective Date"), the Corporation shall pay to each Participant who was eligible to receive an Award for the Award Year in which the Change in Control occurs, as if the day before the Change in Control were the payment date for Awards, the amount of said Participant's Change in Control Award Amount for said Award Year, which shall be determined as follows: (1) first, by the ratio which the number of calendar quarters during which the award had been outstanding (including the calendar quarter in which the Change in Control occurred) bears to four (4); and (2) second, the determination of the Change in Control Award Amount shall be made by reference to the Corporation's relevant budget or financial statements for such time period. For purposes of this Plan, the term "Change in Control Award Amount" for a Participant for an Award Year during which a Change in Control of the Corporation occurs shall mean the higher of (i) the amount the Participant would have received for that Award Year, if the relevant Performance Objectives were met at the target level, or (ii) the amount of the Award that the Participant would have earned for that Award Year, if the achievement of the relevant Performance Objectives for the entire Award Year were consistent with the achievement that actually occurred during the portion of the Award Year that precedes the Change in Control.

(b) As shortly after the conclusion of the Award Year in which the Change in Control occurs as practicable, the amount of Awards for that Award Year shall be recomputed and paid in accordance with the other provisions of this Plan, except that the amount so payable to each Participant shall be reduced (but not below zero) by the amount paid to such Participant pursuant to the Change in Control Award Amount.

(c) For purposes of this Plan, the term "Change in Control" shall mean any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); excluding, however, the following: (1) any acquisition directly from the Corporation, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Corporation; (2) any acquisition by the Corporation; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any entity controlled by the Corporation; or (4) any acquisition pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this definition; or

(ii) A change in the composition of the Board of Directors such that the individuals who, as of the effective date of the Plan, constitute the Board of Directors (such Board of Directors shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, for purposes of this definition, that any individual who becomes a member of the Board of Directors subsequent to the effective date of the Plan, whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board of Directors and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors shall not be so considered as a member of the Incumbent Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation ("Corporate Transaction"); excluding, however, such a Corporate Transaction pursuant to which (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including,

without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (2) no Person (other than the Corporation, any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction, and (3) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(iv) The approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

The reasonable legal fees incurred by any Participant to enforce his/her valid rights under this Section 16 shall be paid for by the Corporation to the Participant in addition to sums otherwise due under this Plan, whether or not the Participant is successful in enforcing his/her rights or whether or not the matter is settled.

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The McGraw-Hill Companies, Inc.

Proxy/Voting Instruction Card Solicited on Behalf of the Board of Directors

The undersigned appoints Scott L. Bennett and Kenneth M. Vittor, and each of them, proxies with full power of substitution, to vote the shares of stock of The McGraw-Hill Companies, Inc., which the undersigned is entitled to vote, at the Annual Meeting of Shareholders of said Corporation to be held at the principal executive offices of the Corporation, 1221 Avenue of the Americas, New York, N.Y. 10020 on Wednesday, April 26, 2000, at 11 A.M., and any adjournment thereof.

The McGraw-Hill Companies employees. If you are a current or former employee of the Corporation, this card also provides voting instructions for shares held in The Savings Incentive Plan of The McGraw-Hill Companies, Inc. and its Subsidiaries, The Employee Retirement Account Plan of The McGraw-Hill Companies, Inc. and its Subsidiaries, The Savings Incentive Plan of Standard & Poor's, The Employee Retirement Account Plan of Standard & Poor's, and The Employees' Investment Plan of McGraw-Hill Broadcasting Company, Inc. If you are a participant in any of these Plans and have shares of Common Stock of the Corporation allocated to your account under these Plans, The Northern Trust Company, the Trustee of each of these Plans (the "Trustee"), is hereby instructed to vote all the shares of Common Stock of The McGraw-Hill Companies, Inc. which are credited to the undersigned's account as of March 9, 2000, at the Annual Meeting of Shareholders to be held on April 26, 2000, and any adjournment thereof, on the items set forth on the reverse hereof and, in the Trustee's discretion, upon such other business as may properly come before the Meeting. Voting rights will be exercised by the Trustee as directed, provided instructions are received by April 19, 2000.

**THE MATTERS TO BE VOTED UPON AND THE INSTRUCTIONS ARE SET FORTH ON THE REVERSE SIDE. PLEASE VOTE, SIGN AND RETURN PROMPTLY.**

(continued and to be signed on the reverse side)

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**FOLD AND DETACH HERE**

Please mark your votes as indicated [X] in this example

THIS PROXY/VOTING INSTRUCTION CARD WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER(S). If not otherwise specified, the proxy/voting instruction card will be voted FOR the Election of Directors and FOR Proposals 2, 3 and 4. THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE FOR PROPOSALS 1, 2, 3 AND 4:

	FOR ALL NOMINEE(S) except as set forth below	WITHHOLD AUTHORITY FOR ALL NOMINEE(S)
1. Election of Directors	[_]	[_]
Election of the following nominee as a director for a two-year term expiring at the 2002 Annual Meeting: (01) Sir Winfried Bischoff		
Election of the following nominees as directors for three-year terms expiring at the 2003 Annual Meeting: (02) Vartan Gregorian; (03) James H. Ross; (04) Sidney Taurel		

INSTRUCTION: To withhold authority to vote for any individual nominee(s) write that nominee(s)' name below.

	FOR	AGAINST	ABSTAIN
2. Approval of Amended and Restated 1993 Employee Stock Incentive Plan.	[_]	[_]	[_]
3. Approval of Amended and Restated 1996 Key Executive Short-Term Incentive Compensation Plan.	[_]	[_]	[_]
4. Ratification of the appointment of independent auditors for 2000.	[_]	[_]	[_]

And, in their discretion, in the transaction of such other business as may properly come before the Meeting.

**Signature(s) Date:**

NOTE: Please sign exactly as your name appears on this card and return the card in the enclosed envelope.

**FOLD AND DETACH HERE**

**[PICTURE OF PHONE] VOTE BY TELEPHONE [PICTURE OF PHONE]  
QUICK \*\*\* EASY \*\*\* IMMEDIATE**

**YOUR VOTE IS IMPORTANT! -- YOU CAN VOTE IN ONE OF TWO WAYS:**

1. TO VOTE BY PHONE: Call toll-free 1-800-840-1208 on a touch tone telephone 24 hours a day-7 days a week

There is NO CHARGE to you for this call. -- Have your proxy card in hand.

You will be asked to enter a Control Number, which is located in the box

in the lower right hand corner of this form

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OPTION 1: To vote as the Board of Directors recommends on ALL proposals,  
press 1  
-----

When asked, please confirm by Pressing 1.

-----  
OPTION 2: If you choose to vote on each proposal separately, press 0.  
You will hear these instructions:  
-----

Proposal 1 - To vote FOR ALL nominees, press 1; to WITHHOLD FOR ALL nominees, press 9

To WITHHOLD FOR AN INDIVIDUAL nominee, Press 0 and listen to the instructions

Proposal 2 - To vote FOR, press 1; AGAINST, press 9; ABSTAIN, press 0.

Proposal 3 - To vote FOR, press 1; AGAINST, press 9; ABSTAIN, press 0.

Proposal 4 - To vote FOR, press 1; AGAINST, press 9; ABSTAIN, press 0.

When asked, please confirm by Pressing 1.

or

2. VOTE BY PROXY CARD: Mark, sign and date your proxy card and return promptly in the enclosed envelope.

NOTE: If you vote by telephone, THERE IS NO NEED TO MAIL BACK your Proxy Card.

**THANK YOU FOR VOTING.**

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**End of Filing**

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