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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-1023

THE MCGRAW-HILL COMPANIES, INC.

(Exact name of registrant as specified in its charter)

New York

(State of other jurisdiction of incorporation or organization)

13-1026995

(I.R.S. Employer Identification No.)

1221 Avenue of the Americas, New York, N.Y.

(Address of Principal executive offices)

10020

(Zip Code)

Registrant's telephone number, including area code (212) 512-2000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

On April 17, 2009 there were approximately 314.5 million shares of common stock (par value \$1.00 per share) outstanding.

The McGraw-Hill Companies, Inc.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of The McGraw-Hill Companies, Inc.

We have reviewed the consolidated balance sheet of The McGraw-Hill Companies, Inc., as of March 31, 2009, and the related consolidated statements of income for the three-month periods ended March 31, 2009 and 2008, and the consolidated statements of cash flows for the three-month periods ended March 31, 2009 and 2008. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The McGraw-Hill Companies, Inc. as of December 31, 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph for the adoption of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109", effective January 1, 2007. As described in Note 1, on January 1, 2009, The McGraw-Hill Companies, Inc. adopted Statement of Financial Accounting Standards ("SFAS") No. 160 "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51," ("SFAS No. 160") on a retrospective basis resulting in revision of the December 31, 2008, consolidated balance sheet. We have not audited and reported on the revised balance sheet reflecting the adoption of SFAS No. 160.

/s/ ERNST & YOUNG LLP

April 29, 2009

Part I
Financial Information

Item 1. Financial Statements

The McGraw-Hill Companies, Inc.
Consolidated Statement of Income

	Three Months Ended March 31,	
	2009	2008
	(Unaudited)	
(in thousands, except per share data)		
Revenue		
Product	\$ 289,398	\$ 317,643
Service	858,809	900,228
Total revenue	1,148,207	1,217,871
Expenses		
Operating-related		
Product	174,273	182,046
Service	314,666	326,265
Operating-related expenses	488,939	508,311
Selling and general		
Product	181,994	197,370
Service	309,317	319,403
Selling and general expenses	491,311	516,773
Depreciation	29,412	27,527
Amortization of intangibles	14,204	14,200
Total expenses	1,023,866	1,066,811
Income from operations	124,341	151,060
Interest expense — net	20,591	17,830
Income before taxes on income	103,750	133,230
Provision for taxes on income	37,765	48,667
Net income	65,985	84,563
Less: net income attributable to noncontrolling interests	(2,981)	(3,453)
Net income attributable to The McGraw-Hill Companies, Inc.	<u>\$ 63,004</u>	<u>\$ 81,110</u>
Earnings per common share:		
Basic	\$ 0.20	\$ 0.25
Diluted	\$ 0.20	\$ 0.25
Average number of common shares outstanding:		
Basic	312,017	319,945
Diluted	312,017	323,400
Dividend declared per common share	\$ 0.225	\$ 0.220

See accompanying notes.

The McGraw-Hill Companies, Inc.
Consolidated Balance Sheet

(in thousands)	March 31, 2009 (Unaudited)	December 31, 2008	March 31, 2008 (Unaudited)
ASSETS			
Current assets:			
Cash and equivalents	\$ 496,799	\$ 471,671	\$ 396,709
Accounts receivable (net of allowance for doubtful accounts and sales returns)	832,339	1,060,858	965,993
Inventories	386,400	369,679	440,807
Deferred income taxes	281,275	285,364	285,012
Prepaid and other current assets	131,112	115,151	132,701
Total current assets	<u>2,127,925</u>	<u>2,302,723</u>	<u>2,221,222</u>
Prepublication costs (net of accumulated amortization)	567,212	552,534	613,793
Investments and other assets:			
Assets for pension benefits	48,299	52,994	273,498
Deferred income taxes	61,022	79,559	15,135
Other	169,334	176,900	184,802
Total investments and other assets	<u>278,655</u>	<u>309,453</u>	<u>473,435</u>
Property and equipment — at cost	1,553,904	1,573,951	1,621,233
Less: accumulated depreciation	(957,250)	(952,889)	(964,999)
Net property and equipment	<u>596,654</u>	<u>621,062</u>	<u>656,234</u>
Goodwill and other intangible assets:			
Goodwill — net	1,702,152	1,703,240	1,709,277
Copyrights — net	158,253	162,307	174,856
Other intangible assets — net	418,567	428,823	450,308
Net goodwill and intangible assets	<u>2,278,972</u>	<u>2,294,370</u>	<u>2,334,441</u>
Total assets	<u>\$ 5,849,418</u>	<u>\$ 6,080,142</u>	<u>\$ 6,299,125</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 159,922	\$ 70,022	\$ 396,222
Accounts payable	275,457	337,459	360,856
Accrued royalties	31,409	111,471	36,115
Accrued compensation and contributions to retirement plans	294,150	420,515	310,981
Income taxes currently payable	19,234	17,209	13,751
Unearned revenue	1,087,269	1,099,167	1,090,855
Deferred gain on sale leaseback	10,851	10,726	10,359
Other current liabilities	475,726	464,134	454,019
Total current liabilities	<u>2,354,018</u>	<u>2,530,703</u>	<u>2,673,158</u>
Other liabilities:			
Long-term debt	1,197,656	1,197,611	1,197,472
Deferred income taxes	2,087	3,406	140,908
Liability for pension and other postretirement benefits	604,788	606,331	282,244
Deferred gain on sale leaseback	156,345	159,115	167,236
Other non-current liabilities	228,540	230,105	243,947
Total other liabilities	<u>2,189,416</u>	<u>2,196,568</u>	<u>2,031,807</u>
Total liabilities	<u>4,543,434</u>	<u>4,727,271</u>	<u>4,704,965</u>
Commitments and contingencies (Note 12)			
Shareholders' equity :			
Common stock	411,709	411,709	411,709
Additional paid-in capital	11,093	55,150	159,610
Retained income	6,062,946	6,070,793	5,561,852
Accumulated other comprehensive loss	(457,644)	(444,022)	(9,640)
Less: common stock in treasury — at cost	(4,792,898)	(4,811,294)	(4,602,945)
Total shareholders' equity — controlling interests	1,235,206	1,282,336	1,520,586
Total shareholders' equity — noncontrolling interests	70,778	70,535	73,574
Total shareholders' equity	<u>1,305,984</u>	<u>1,352,871</u>	<u>1,594,160</u>
Total liabilities and shareholders' equity	<u>\$ 5,849,418</u>	<u>\$ 6,080,142</u>	<u>\$ 6,299,125</u>

See accompanying notes.



The McGraw-Hill Companies, Inc.
Consolidated Statement of Cash Flows

	Three Months Ended March 31,	
	<u>2009</u>	<u>2008</u>
	(Unaudited)	
(in thousands)		
Cash flows from operating activities		
Net income attributable to The McGraw-Hill Companies, Inc.	\$ 63,004	\$ 81,110
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Depreciation	29,412	27,527
Amortization of intangibles	14,204	14,200
Amortization of prepublication costs	27,291	28,182
Provision for losses on accounts receivable	10,272	1,465
Net change in deferred income taxes	(2,174)	(13,625)
Stock-based compensation	7,830	21,044
Noncontrolling interests	243	2,462
Other	1,390	2,055
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:		
Accounts receivable	211,766	230,742
Inventories	(20,797)	(88,332)
Prepaid and other current assets	(19,862)	(14,912)
Accounts payable and accrued expenses	(265,577)	(397,739)
Unearned revenue	(7,725)	(3,883)
Other current liabilities	20,236	1,419
Net change in prepaid/accrued income taxes	1,608	11,516
Net change in other assets and liabilities	(3,990)	(15,488)
Cash provided by (used for) operating activities	<u>67,131</u>	<u>(112,257)</u>
Cash flows from investing activities		
Investment in prepublication costs	(42,723)	(66,635)
Purchase of property and equipment	(8,025)	(23,572)
Acquisition of businesses	—	(11,876)
Disposition of property and equipment	31	26
Additions to technology projects	(1,711)	(6,006)
Cash used for investing activities	<u>(52,428)</u>	<u>(108,063)</u>
Cash flows from financing activities		
Additions to short-term debt, net	89,900	396,200
Dividends paid to shareholders	(70,851)	(71,015)
Repurchase of treasury shares	—	(134,013)
Exercise of stock options	—	20,918
Excess tax benefits from share-based payments	—	1,315
Cash provided by financing activities	<u>19,049</u>	<u>213,405</u>
Effect of exchange rate changes on cash	<u>(8,624)</u>	<u>7,528</u>
Net change in cash and equivalents	25,128	613
Cash and equivalents at beginning of period	471,671	396,096
Cash and equivalents at end of period	<u>\$ 496,799</u>	<u>\$ 396,709</u>

See accompanying notes.

The McGraw-Hill Companies, Inc.
Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts or as noted)

1. Basis of Presentation

The financial information in this report has not been audited, but in the opinion of management all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly such information have been included. The operating results for the three months ended March 31, 2009 and 2008 are not necessarily indicative of results to be expected for the full year due to the seasonal nature of some of the Company’s businesses. The financial statements included herein should be read in conjunction with the financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008 (the “Annual Report”).

The Company’s critical accounting policies are disclosed in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, in the Company’s Annual Report for the year ended December 31, 2008. On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts and sales returns, prepublication costs, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plans, income taxes, incentive compensation and stock-based compensation.

Since the date of the Annual Report, there have been no material changes to the Company’s critical accounting policies.

Effective January 1, 2009, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 160 “Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51,” (“SFAS No. 160”). SFAS No. 160 amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” to establish accounting and reporting standards for any noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as a component of equity in the consolidated financial statements and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interests.

Accordingly, \$70,778, \$70,535 and \$73,574 as of March 31, 2009, December 31, 2008 and March 31, 2008, respectively, have been reclassified from other non-current liabilities to shareholders’ equity.

Certain prior year amounts have been reclassified for comparability purposes.

2. Comprehensive Income

The following table is a reconciliation of the Company’s net income to comprehensive income for the three months ended March 31:

	<u>2009</u>	<u>2008</u>
Net income	\$ 65,985	\$ 84,563
Other comprehensive income:		
Foreign currency translation adjustment	(16,747)	3,583
Pension and other postretirement benefit plans, net of tax	637	217
Unrealized loss on investment, net of tax	(146)	(1,727)
Comprehensive income	49,729	86,636
Less: comprehensive income attributable to noncontrolling interests	(347)	(2,543)
Comprehensive income attributable to The McGraw-Hill Companies, Inc.	<u>\$ 49,382</u>	<u>\$ 84,093</u>

3. Segment and Related Information

The Company has three reportable segments: McGraw-Hill Education, Financial Services and Information & Media.

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The McGraw-Hill Education segment is one of the premier global educational publishers serving the elementary and high school (“el-hi”), college and university, professional, international and adult education markets.

The Financial Services segment operates under the Standard & Poor’s brand. This segment provides services to investors, corporations, governments, financial institutions, investment managers and advisors globally. The segment and the markets it serves are impacted by interest rates, the state of global economies, credit quality and investor confidence.

The Information & Media segment includes business, professional and broadcast media, offering information, insight and analysis.

Operating profit by segment is the primary basis for the chief operating decision maker of the Company, the Executive Committee, to evaluate the performance of each segment. A summary of operating results by segment for the three months ended March 31 is as follows:

	2009		2008	
	Revenue	Operating Profit (Loss)	Revenue	Operating Profit (Loss)
McGraw-Hill Education	\$ 312,628	\$ (76,596)	\$ 330,156	\$ (90,862)
Financial Services	610,154	231,593	644,301	264,052
Information & Media	225,425	2,772	243,414	11,726
Total operating segments	1,148,207	157,769	1,217,871	184,916
General corporate expense	—	(33,428)	—	(33,856)
Interest expense — net	—	(20,591)	—	(17,830)
Total Company	<u>\$1,148,207</u>	<u>\$ 103,750*</u>	<u>\$1,217,871</u>	<u>\$ 133,230*</u>

* Income before taxes on income.

4. Acquisitions and Dispositions

There were no material acquisitions or dispositions by the Company for the three months ended March 31, 2009 and 2008.

5. Stock-Based Compensation

Stock-based compensation for the three months ended March 31 is as follows:

	2009	2008
Stock option expense	\$ 6,388	\$ 6,432
Restricted stock awards expense	1,442	14,612
Total stock-based compensation expense	<u>\$ 7,830</u>	<u>\$ 21,044</u>

The number of common shares issued upon exercise of stock options and the vesting of restricted stock awards are as follows:

(in thousands)	March 31, 2009	December 31, 2008	March 31, 2008
Stock options exercised	—	1,433	776
Restricted stock vested	1,417	678	667
Total shares issued	<u>1,417</u>	<u>2,111</u>	<u>1,443</u>

6. Allowances, Inventories and Accumulated Amortization of Prepublication Costs

The allowances for doubtful accounts and sales returns, the components of inventory and the accumulated amortization of prepublication costs are as follows:

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	March 31, 2009	December 31, 2008	March 31, 2008
Allowance for doubtful accounts	\$ 71,938	\$ 76,341	\$ 65,593
Allowance for sales returns	\$128,492	\$ 192,344	\$135,388
Inventories:			
Finished goods	\$372,138	\$ 349,203	\$415,847
Work-in-process	3,748	4,359	4,477
Paper and other materials	10,514	16,117	20,483
Total inventories	\$386,400	\$ 369,679	\$440,807
Accumulated amortization of prepublication costs	\$766,739	\$ 943,022	\$724,995

7. Debt

A summary of short-term and long-term debt outstanding follows:

	March 31, 2009	December 31, 2008	March 31, 2008
5.375% Senior notes, due 2012 (a)	\$ 399,745	\$ 399,727	\$ 399,674
5.900% Senior notes, due 2017 (b)	399,176	399,152	399,080
6.550% Senior notes, due 2037 (c)	398,494	398,482	398,442
Commercial paper	159,900	70,000	396,200
Note payable	263	272	298
Total Debt	1,357,578	1,267,633	1,593,694
Less: Short-term debt including current maturities	159,922	70,022	396,222
Long-term debt	\$1,197,656	\$ 1,197,611	\$1,197,472

Senior Notes

(a) As of March 31, 2009, the Company had outstanding \$399.7 million of 2012 senior notes consisting of \$400 million principal and an unamortized debt discount of \$0.3 million. The 2012 senior notes, when issued in November 2007, were priced at 99.911% with a yield of 5.399%. Interest payments are required to be made semiannually on February 15 and August 15.

(b) As of March 31, 2009, the Company had outstanding \$399.2 million of 2017 senior notes consisting of \$400 million principal and an unamortized debt discount of \$0.8 million. The 2017 senior notes, when issued in November 2007, were priced at 99.76% with a yield of 5.933%. Interest payments are required to be made semiannually on April 15 and October 15.

(c) As of March 31, 2009, the Company had outstanding \$398.5 million of 2037 senior notes consisting of \$400 million principal and an unamortized debt discount of \$1.5 million. The 2037 senior notes, when issued in November 2007, were priced at 99.605% with a yield of 6.580%. Interest payments are required to be made semiannually on May 15 and November 15.

Available Financing

The size of the Company's total commercial paper program remains \$1.2 billion and is supported by the revolving credit agreement described below. Commercial paper borrowings outstanding at March 31, 2009 and 2008 totaled \$159.9 million and \$396.2 million, respectively, with an average interest rate and average term of 0.3% and 15 days, and 2.4% and 31 days, respectively. These total borrowings are classified as current notes payable in the consolidated balance sheet. Commercial paper borrowings outstanding at December 31, 2008 totaled \$70.0 million, with an average interest rate and average term of 1.4% and 29 days.

On September 12, 2008 the Company closed on two new revolving credit facility agreements totaling \$1.15 billion collectively (the "new credit facility") to replace the existing \$1.2 billion five-year credit facility that was to expire on July 20, 2009. The new credit facility is with a syndicate of fourteen banks led by JP Morgan Chase and Bank of America. The existing credit facility was cancelled after the new facility became effective.

The new credit facility consists of two separate tranches, a \$383.3 million 364-day facility that will terminate on September 11, 2009 and a \$766.7 million 3-year facility that will terminate on September 12, 2011. The Company pays a commitment fee of 8-17.5 basis points for the 364-day facility and a commitment fee of 10- 20 basis points for the 3-year facility, depending upon the credit rating of the Company, whether or not amounts have been borrowed. At the Company's current credit rating, the commitment fee is 8 basis points for the 364-day facility and 10 basis points for the 3-year facility. The interest rate on borrowings under the credit facility is, at the Company's option, based on (i) a spread over the prevailing London Inter-Bank Offer Rate

(“LIBOR”) that is calculated by multiplying the current 30 business day average of the CDX 5-year investment grade index by a percentage, ranging from 50-100% that is based on the Company’s credit rating (“LIBOR loans”), which at the Company’s current credit rating, the borrowing rate would be 50% of this index, with a minimum spread of 0.5%, or (ii) on the higher of prime, which is the rate of interest publicly announced by the administrative agent, or 0.5% plus the Federal funds rate (“ABR loans”).

The Company has the option at the termination of the 364-day facility to convert any revolving loans outstanding into term loans for an additional year. Term loans can be LIBOR loans or ABR loans and would carry an additional spread of 0.35%.

The new credit facility contains certain covenants. The only financial covenant requires that the Company not exceed indebtedness to cash flow ratio, as defined in the new credit facility, of 4 to 1. This covenant is similar to the previous credit agreements and has never been exceeded. There were no borrowings under either of the facilities as of March 31, 2009, December 31, 2008 and March 31, 2008.

The Company has the capacity to issue Extendible Commercial Notes (“ECNs”) of up to \$240 million, provided that sufficient investor demand for ECNs exists. ECNs replicate commercial paper, except that the Company has an option to extend the note beyond its initial redemption date to a maximum final maturity of 390 days. However, if exercised, such an extension is at a higher reset rate, which is at a predetermined spread over LIBOR and is related to the Company’s commercial paper rating at the time of extension. As a result of the extension option, no backup facilities for these borrowings are required. As is the case with commercial paper, ECNs have no financial covenants. There were no ECN borrowings outstanding as of March 31, 2009, December 31, 2008 and March 31, 2008. In the current credit environment, the ECN market is not available and the Company has no plans to utilize this market.

On April 19, 2007, the Company signed a promissory note with one of its providers of banking services to enable the Company to borrow additional funds, on an uncommitted basis, from time to time to supplement its commercial paper and ECN borrowings. The specific terms (principal, interest rate and maturity date) of each borrowing governed by this promissory note are determined on the borrowing date of each loan. These borrowings have no financial covenants. There were no promissory note borrowings outstanding as of March 31, 2009, December 31, 2008 and March 31, 2008. In the current credit environment, the market for these instruments is currently not available and the Company has no plans to utilize them in the short-term.

On January 1, 2009, the Company transferred most of Standard & Poor’s U.S. properties and assets from a division to a newly-formed, wholly-owned subsidiary. This reorganization was initiated to address future operational and financial conditions, and will not affect the ongoing conduct of Standard & Poor’s businesses, including the credit ratings business.

In conjunction with this reorganization, a series of supplemental agreements were executed. They include a supplemental indenture for the Company’s \$1.2 billion senior notes (three tranches of \$400 million due in 2012, 2017 and 2037), amendments to the company’s current \$1.15 billion Credit Agreement (including both the 364-day and the 3-year agreements), amendments to the commercial paper issuing and paying agency agreement (with JP Morgan Chase) and amended and restated commercial paper dealer agreements (with JP Morgan Chase, Morgan Stanley and Merrill Lynch). All of these agreements and amendments provide that the new S&P subsidiary will guarantee the senior notes issued pursuant to the indenture, amounts borrowed under the credit agreement and the commercial paper.

Long-term debt was \$1,197.7 million, \$1,197.6 million and \$1,197.5 million as of March 31, 2009, December 31, 2008 and March 31, 2008, respectively. As a result of the current volatility of financial markets, the fair value of the Company’s long-term borrowings has declined to \$1,018.5 million at March 31, 2009. The Company paid interest on its debt totaling \$10.8 million and \$7.3 million during the three months ended March 31, 2009 and 2008, respectively.

8. Common Shares Outstanding

A reconciliation of the number of shares used for calculating basic and diluted earnings per common share for the three months ended March 31 is as follows:

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(in thousands)

	2009	2008
Average number of common shares outstanding	312,017	319,945
Effect of stock options and other dilutive securities	—	3,455
Average number of common shares outstanding including the effect of dilutive securities	<u>312,017</u>	<u>323,400</u>

Restricted performance shares outstanding of 2.4 million and 1.8 million at March 31, 2009 and 2008, respectively, were not included in the computation of diluted earnings per common share because the necessary vesting conditions have not yet been met.

The weighted-average diluted shares outstanding for the three months ended March 31, 2009 and 2008, excludes the effect of approximately 30.8 million and 13.4 million, respectively, of outstanding stock options because the effects were not dilutive.

9. Retirement Plans and Postretirement Healthcare and Other Benefits

A summary of net periodic benefit cost for the Company's defined benefit plans and postretirement healthcare and other benefits plan for the three months ended March 31 is as follows:

	Pension Benefits		Postretirement Healthcare and Other Benefits	
	2009	2008	2009	2008
Service cost	\$ 14,422	\$ 15,269	\$ 698	\$ 670
Interest cost	21,586	21,589	2,162	2,045
Expected return on plan assets	(25,973)	(27,708)	—	—
Amortization of prior service credit	(61)	(111)	(296)	(297)
Amortization of loss	1,655	724	—	—
Net periodic benefit cost	<u>\$ 11,629</u>	<u>\$ 9,763</u>	<u>\$ 2,564</u>	<u>\$ 2,418</u>

The amortization of prior service credit and amortization of loss for the three months ended March 31, 2009 and 2008, included in the above table, have been recognized in the net periodic benefit cost and included in other comprehensive income, net of tax.

In 2009, the expected rate of return on plan assets is 8.0% based on a market-related value of assets, which recognizes changes in market value over five years. The Company changed certain assumptions on its pension and postretirement healthcare and other benefit plans which became effective on January 1, 2009:

- The Company changed its discount rate assumption on its U.S. retirement plans to 6.10% from 6.25% in 2008.
- The Company changed its discount rate assumption on its United Kingdom ("U.K.") retirement plan to 5.8% from 5.4% in 2008 and its assumed compensation increase factor for its U.K. retirement plan to 5.50% from 5.95%.
- The Company changed its discount rate and healthcare cost trend rate assumptions on its postretirement healthcare benefit plan. In 2009, the discount rate assumption changed to 5.95% from 6.0% in 2008, and the healthcare cost trend rate changed to 8.0% from 8.5% in 2008.

The effect of the assumption changes on pension and other postretirement healthcare expense for the three months ended March 31, 2009 did not have a material effect on earnings per share.

10. Sale-Leaseback Transaction

In December 2003, the Company sold its 45% equity investment in Rock-McGraw, Inc., which owns the Company's headquarters building in New York City. The transaction was valued at \$450.0 million, including assumed debt. Proceeds from the disposition were \$382.1 million. The sale resulted in a pre-tax gain of \$131.3 million and an after-tax benefit of \$58.4 million, or \$0.15 per diluted share in 2003.

The Company remains an anchor tenant of what continues to be known as The McGraw-Hill Companies building and will continue to lease space from Rock-McGraw, Inc., under an existing lease through 2020. As of December 31, 2008, the Company leased approximately 17% of the building space. This lease is being accounted for as an operating lease. Pursuant to sale-leaseback accounting rules, as a result of the Company's continued involvement, a pre-tax gain of approximately \$212.3 million (\$126.3 million after-tax) was deferred

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and will be amortized over the remaining lease term as a reduction in rent expense. Information relating to the sale-leaseback transaction for the three months ended March 31 is as follows:

	<u>2009</u>	<u>2008</u>
Reduction in rent expense	\$ (4,592)	\$ (4,592)
Interest expense	\$ 1,947	\$ 2,066

11. Income Taxes

The Company calculates its interim income tax provision in accordance with Accounting Principles Board Opinion No. 28, "Interim Financial Reporting" and FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods". At the end of each interim period, the Company estimates the annual effective tax rate and applies that rate to its ordinary quarterly earnings. The tax expense or benefit related to significant, unusual, or extraordinary items that will be separately reported or reported net of their related tax effect, and are individually computed are recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws or rates or tax status is recognized in the interim period in which the change occurs.

The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in various jurisdictions, permanent and temporary differences, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, additional information is obtained or as the tax environment changes.

For the three months ended March 31, 2009 and 2008, the effective tax rate was 36.4% and 36.5%, respectively. The decrease in the effective tax rate for the quarter ended March 31, 2009 as compared to the same period last year is primarily attributable to a decrease in state and local income taxes.

Effective January 1, 2009, the Company adopted SFAS No. 160. This resulted in a change to the calculated effective tax rate for both the current and prior periods.

12. Commitments and Contingencies

The following amends the disclosure in Footnote 15 — *Commitments and Contingencies* to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

In the normal course of business both in the United States and abroad, the Company and its subsidiaries are named as defendants in numerous legal proceedings and are involved, from time to time, in governmental and self-regulatory agency proceedings, which may result in adverse judgments, damages, fines or penalties. Also, various governmental and self-regulatory agencies regularly make inquiries and conduct investigations concerning compliance with applicable laws and regulations.

Following developments in the subprime residential mortgage market, and the credit and financial markets more generally, the Company, together with other credit rating agencies, continues to be named in numerous lawsuits relating to the ratings activity of Standard & Poor's Ratings Services by alleged purchasers of rated securities, many of which include novel claims that the Company is an "underwriter" or a "seller" under the Securities Act of 1933. There are currently pending numerous lawsuits in U.S. state and federal courts, as well as in foreign jurisdictions, asserting claims under a variety of state and federal laws, including the federal securities laws, relating to ratings activity in Financial Services, Public Finance and Structured Finance areas, as well as a lawsuit relating to the rating of Parmalat Finanziaria S.p.A. and Parmalat S.p.A. that was filed in 2005. The Company has also received numerous subpoenas and other government inquiries concerning its ratings activity in these areas and continues to respond to all such requests. Additional actions, investigations or proceedings may be initiated from time to time in the future.

In addition, as further described in Footnote 15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008, the Company and certain and of its officers and directors have been named in a putative class action brought under the federal securities laws by the Company's shareholders, a putative class action by participants in the Company's ERISA plans, and a putative derivative action on behalf of the Company, all relating to alleged misrepresentations and omissions concerning the Company's ratings business.

In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Company cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines, penalties or impact related to each pending matter may be. The Company believes, based upon its current knowledge, the outcome of the legal actions, proceedings and investigations currently pending against it should not have a material, adverse effect on the consolidated financial condition of the Company.

13. Restructuring

2008 Restructuring

During 2008, the Company continued to implement restructuring plans related to a limited number of business operations across the Company to contain costs and mitigate the impact of the current and expected future economic conditions. The Company recorded a pre-tax restructuring charge of \$73.4 million, consisting primarily of employee severance costs related to a workforce reduction of approximately 1,045 positions. This charge consisted of \$25.3 million for McGraw-Hill Education, \$25.9 million for Financial Services, \$19.2 million for Information & Media and \$3.0 million for Corporate. The after-tax charge recorded was \$45.9 million, or \$0.14 per diluted share. Restructuring expenses for McGraw-Hill Education were \$20.8 million classified as selling and general product expenses, and \$4.5 million classified as selling and general service expenses, within the statement of income. Restructuring expenses for Financial Services were classified as selling and general service expenses within the statement of income. Restructuring expenses for Information & Media were \$18.9 million classified as selling and general service expenses, and \$0.3 million classified as selling and general product expenses, within the statement of income. Restructuring charges for Corporate were classified as selling and general service expenses within the statement of income.

For the three months ended March 31, 2009, the Company has paid approximately \$15.5 million, related to the 2008 restructuring, consisting primarily of employee severance costs. The remaining reserve at March 31, 2009 is approximately \$35.3 million and is included in other current liabilities.

2007 Restructuring

During 2007, the Company began implementing a restructuring plan related to a limited number of business operations across the Company to gain efficiencies, reflect current business conditions and to fortify its long-term growth prospects. As a result, the Company recorded a pre-tax restructuring charge of \$43.7 million, consisting primarily of employee severance costs related to a workforce reduction of approximately 600 positions across the Company. This charge comprised \$16.3 million for McGraw-Hill Education, \$18.8 million for Financial Services, \$6.7 million for Information & Media and \$1.9 million for Corporate. The after-tax charge recorded was \$27.3 million, or \$0.08 per diluted share. Restructuring expenses for Financial Services and Corporate are classified as selling and general service expenses within the statement of income. Restructuring expenses for McGraw-Hill Education are classified as selling and general product expenses, \$15.0 million, and selling and general service expense, \$1.3 million, within the statement of income. Restructuring expenses for Information and Media are classified as selling and general product expenses, \$0.4 million, and selling and general service expense, \$6.3 million, within the statement of income.

For the three months ended March 31, 2009, the Company has paid approximately \$1.3 million, related to the 2007 restructuring, consisting primarily of employee severance costs. The remaining reserve at March 31, 2009 is approximately \$7.8 million and is included in other current liabilities.

2006 Restructuring

During 2006, the Company recorded a pre-tax restructuring charge of \$31.5 million, consisting primarily of vacant facilities and employee severance costs related to the elimination of 700 positions across the Company. This charge comprised \$16.0 million for McGraw-Hill Education, \$8.7 million for Information & Media and \$6.8 million for Corporate. The after-tax charge recorded was \$19.8 million, or \$0.06 per diluted share. Restructuring expenses for Information & Media and Corporate are classified as selling and general service expenses within the statement of income. Restructuring expenses for McGraw-Hill Education are classified as selling and general product expenses, \$9.3 million, and selling and general service expense, \$6.7 million, within the statement of income.

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For the three months ended March 31, 2009, the Company has paid approximately \$0.3 million, related to the 2006 restructuring consisting of facility costs. At March 31, 2009, the remaining reserve, which consists of facilities costs, is approximately \$7.7 million payable through 2014.

14. **Recently Issued Accounting Standards**

In December 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP FAS 132(R)-1”). FSP FAS 132(R)-1 amends SFAS No. 132 (R), “Employers’ Disclosures about Pension and Other Postretirement Benefits” and provides guidance on an employer’s disclosure about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact FSP FAS 132(R)-1 will have on its consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in thousands, except per share amounts or as noted)

Results of Operations — Comparing Three Months Ended March 31, 2009 and 2008

Consolidated Review

The Segment Review that follows is incorporated herein by reference.

Revenue and Operating Profit

	First Quarter 2009	% Decrease	First Quarter 2008
Revenue	\$1,148,207	(5.7)%	\$1,217,871
Operating profit*	\$ 157,769	(14.7)%	\$ 184,916
% Operating margin	13.7%		15.2%

* Operating profit is income before taxes on income, interest expense and corporate expense.

- First quarter revenue declined for all three operating segments while the decrease in operating profit was primarily due to Financial Services and Information & Media. The quarter reflects the seasonal nature of the Company’s educational publishing operations, with the first quarter being the least significant and the third quarter being the most significant.
 - o Financial Services revenue and operating profit declined 5.3% and 12.3%, respectively, largely due to continued weakness in Credit Market Services. Partially offsetting the revenue decline was a slight increase in sales at Investment Services led by growth at Capital IQ and increased index license fees and increased customer demand for index data.
 - o McGraw-Hill Education revenue declined 5.3% primarily due to softness at School Education Group while operating loss improved 15.7% due to decreased selling and general expenses from ongoing cost saving initiatives and lower operating expenses offset by decreased sales due to a change in sales mix.
 - o Information & Media revenue and operating profit declined 7.4% and 76.4%, respectively, driven by both Business-to-Business Group and Broadcasting where current economic weakness continues to drive declines in advertising.
 - o Foreign exchange rates unfavorably affected revenue by \$37.4 million but had a favorable affect on operating profit of \$12.1 million.
- Product revenue and expenses consist of the McGraw-Hill Education and the Information & Media segments, and represents educational and information products, primarily books, magazine circulations and syndicated study programs.
 - o Product revenue decreased 8.9% or \$28.2 million, primarily due to McGraw-Hill Education, driven by the unfavorable impact of foreign exchange and softness in School Education Group.
 - o Product operating expenses decreased 4.3% or \$7.8 million, primarily due to McGraw-Hill Education decreased sales and a change in sales mix. Amortization of prepublication costs decreased \$0.9 million or 3.2% driven by timing of the adoption cycle.
 - o Product selling and general expenses decreased 7.8% or \$15.4 million, primarily due to McGraw-Hill Education ongoing cost saving initiatives and a \$4.8 million favorable impact of foreign exchange.
 - o Product margin decreased 370 basis points to (23.1)% for the first quarter of 2009 primarily due to the decline in Information & Media revenues driven by decreased sales of syndicated studies.
 - McGraw-Hill Education revenue declines were offset by reduced expenses due to lower sales, a change in sales mix and cost saving initiatives.
- Service revenue and expenses consist of the Financial Services segment, the service assessment contracts of the McGraw-Hill Education segment and the remainder of the Information & Media segment, primarily related to information-related services and advertising.
 - o Service revenue decreased 4.6% or \$41.4 million, primarily due to Financial Services and the unfavorable impact of foreign exchange.
 - Financial Services service revenue decreased primarily due to Credit Market Services, where continuing declines in structured finance were partially mitigated by increases in credit ratings-related information products such as RatingsXpress and RatingsDirect.

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- Information & Media service revenue declined as current economic weakness continues to drive a decline in advertising spending. This was partially offset by growth in Platts services as the increased volatility in crude oil and other commodity prices drove the continued need for market information.
- Growth in McGraw-Hill Education assessment contracts partially offset these declines.
- Service operating expenses decreased 3.6% or \$11.6 million, primarily due to cost reduction initiatives across the Company.
- Service selling and general expenses decreased 3.2% or \$10.1 million, primarily due to the benefit of cost reduction initiatives across the Company.
- Service margin decreased 90 basis points to 27.3% for the first quarter of 2009 primarily due to a decrease at Financial Services.
- Total expenses in the first quarter of 2009 decreased \$42.9 million or 4.0% driven primarily by decreased sales and a change in sales mix at McGraw-Hill Education and reduced selling & general expenses due to cost saving initiatives.
- Net interest expense increased 15.5% to \$20.6 million primarily due to a decrease in foreign interest income due to the decline in interest rates.
- For the quarters ended March 31, 2009 and 2008, the effective tax rate was 36.4% and 36.5%, respectively. The Company expects the effective tax rate to be at 36.4% for the remainder of the year absent the impact of events such as intervening audit settlements, changes in federal, state or foreign law and changes in the geographical mix of the Company's pre-tax income. The effective tax rates include the impact of the adoption of Statement of Financial Accounting Standard ("SFAS") No. 160 "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51," ("SFAS No. 160"). This resulted in a change to the calculated effective tax rate for both the current and prior periods.
- Net income attributable to the Company for the quarter decreased \$18.1 million or 22.3%. Diluted earnings per common share decreased 20.0% to \$0.20 from \$0.25 in 2008.
- Effective January 1, 2009, the Company adopted SFAS No. 160. SFAS No. 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for any noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as a component of equity in the consolidated financial statements and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interests. Certain prior year amounts have been reclassified for comparability purposes in accordance with the requirements of SFAS No. 160.

Risks and Uncertainties

The world financial markets have been experiencing extreme volatility. These difficult conditions have impacted the businesses and results of operations of the Company and we do not expect these conditions to improve in the near term.

- In the McGraw-Hill Education segment, the weakening global economy has resulted in declines in discretionary spending which have impacted our results of operations.
- In the Financial Services segment, difficulties in the credit markets and shrinking investor confidence in the capital markets have resulted in a significant decline in global debt issuance which has impacted our results of operations in Credit Market Services.
- In the Information & Media segment, the general weakening of the economy has resulted in declines in advertising and consumer and business spending.

Segment Review

McGraw-Hill Education

	First Quarter 2009	% (Decrease)/ Increase	First Quarter 2008
Revenue			
School Education Group	\$122,647	(11.6)%	\$138,741
Higher Education, Professional and International	189,981	(0.7)%	191,415
Total revenue	\$312,628	(5.3)%	\$330,156
Operating loss	\$(76,596)	15.7%	\$(90,862)
% Operating margin	(24.5)%		(27.5)%

Revenue and Operating Loss

- Revenue and operating loss for the McGraw-Hill Education (“MHE”) segment reflects the seasonal nature of the Company’s educational publishing operations, with the first quarter being the least significant and the third quarter being the most significant.
- School Education Group (“SEG”) revenue declined for the quarter, as increases in testing and assessment revenue were offset by lower state adoption sales. Typically in the first quarter, the majority of purchases in the elementary-high school market consist of residual and supplemental sales. These categories have been impacted by reduced spending since mid-2008 as schools, many of which are operating on tighter budgets, decreased discretionary spending as state and local tax revenues declined.
 - o K-5 basal sales declined in both open territory and adoption states owing to the continuing decline in residual sales as well as a weak performance in the North Carolina K-5 math adoption. North Carolina was the only adoption state to place significant orders for front-list basal materials in the first quarter of the year.
 - o In the 6-12 basal market, sales declined in both adoption states and open territory. In North Carolina, secondary adoption opportunities in health, career education and technical education could not match MHE’s prior-year success in the 6-12 social studies adoption. North Carolina was originally scheduled to purchase math for all grades K-12 in 2009 but cancelled the 6-12 portion of the adoption during 2008.
 - o K-12 supplementary sales also declined, with growth in intervention products being offset by lower demand for backlist products.
 - o Non-custom or “shelf” testing revenue declined overall, despite a sales gain for the *LAS Links* product line, but this decrease was more than offset by an increase in formative assessment revenue driven largely by additional services provided to the school districts using SEG’s successful *Acuity* program.
 - o Custom testing revenue increased as a result of additional contract work in Qatar and the timing of work in Florida.
- Higher Education revenue increased for both print and digital product driven by strong new publication lists in all four imprints, improved sales coverage in key regions, higher enrollments in the current academic year and a market trend toward later second-semester ordering that shifted more sales from December to January and February.
 - o Key titles contributing to the first quarter performance included Sanderson, *Computers in the Medical Office*, 6/e, Booth, *Medical Assisting*, 3/e, Lucas, *The Art of Public Speaking*, 10/e, McConnell, *Economics*, 18/e, and Block, *Foundations of Financial Management*, 13/e.
 - o Digital revenue growth was driven by the continued success of the Homework Management product line, which included new releases on the improved and enhanced *Connect* platform.
- Revenue in the professional market declined versus the prior year as book sales decreased due to continuing weakness in the retail environment and strong 2008 sales of the new edition of *Harrison’s Principles of Internal Medicine*, which provided a challenging comparison. Digital subscriptions and digital licensing had a favorable impact on the results for the quarter.

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- International revenue decreased for the quarter, with growth in the Latin America, Europe/Middle East/Africa, India and Asia regions being largely offset by the unfavorable impact of foreign exchange as well as the impact of sales of the new edition of *Harrison's Principles of Internal Medicine* in the prior year.
- Operating margin improved primarily due to decreased selling and general expenses driven by the benefit of ongoing cost saving initiatives and lower operating expenses due to decreased sales and a change in sales mix.
- Foreign exchange rates negatively impacted revenue by \$13.3 million and favorably impacted the improvement in operating loss by \$4.8 million.

Industry Highlights and Outlook

- The total available state new adoption market in 2009 is estimated at between \$550 million and \$600 million, depending on state funding availability. This compares with approximately \$980 million in 2008. The 2009 estimate reflects lower anticipated purchasing rates in Florida and California due to state budget constraints as well as the impact of other announced adoption postponements. This estimate is dependent on still to be determined fiscal year 2010 education budgets in key states, as well as the impact of the federal stimulus funding on instructional materials purchasing.
- Total U.S. PreK-12 enrollment for 2008-2009 is estimated at 56 million students, up 0.3% from 2007-2008, according to the National Center for Education Statistics.
- The year's key adoption opportunities are K-8 reading and K-8 math in California, K-12 reading in Georgia, K-12 science in Tennessee, K-12 social studies in Indiana, K-5 math in North Carolina, and 6-12 reading/literature in Florida. The Florida adoption was originally expected to offer one of the year's largest markets, but it now appears that industry sales there will fall well short of original projections owing to widespread purchasing postponements by districts across the state. Postponements of district-level adoptions will likely also limit market potential in other states, notably California.
 - The Company expects to perform well with reading in California and Georgia; math in California, South Carolina, and Kentucky; science in Tennessee; and social studies in Indiana.
 - The U.S. Department of Education has begun releasing the first round of federal stimulus funding. Depending on state timetables, eligible school districts should receive their initial distributions for special education programs and Title 1 programs for disadvantaged students in the second or third quarter. These funds may be used for instructional materials, among other purposes. The states will also receive first-round distributions from the State Fiscal Stabilization Fund ("SFSF") following approval of their educational spending plans. While each state's use of its SFSF funding is still to be determined, the Company may also benefit from increased purchasing of instructional materials from this source.
- According to statistics compiled by the Association of American Publishers ("AAP"), total net basal and supplementary sales of elementary and secondary instructional materials were down by 15.9% through February 2009 compared to the same two-month period in 2008. Basal sales in adoption states and open territory for the industry decreased 14.3% compared to prior year. In the supplemental market, industry sales were down 18.0% versus prior year. The supplementary market has been declining in recent years, in large part because basal programs are increasingly comprehensive, offering integrated ancillary materials that reduce the need for separate supplemental products.
- Refer to the *Risks and Uncertainties* included in the "Consolidated Review" section of this *Management's Discussion and Analysis of Financial Condition and Results of Operations* .

Financial Services

	First Quarter 2009	% (Decrease)/ Increase	First Quarter 2008
Revenue			
Credit Market Services	\$391,350	(8.4)%	\$427,314
Investment Services	218,804	0.8%	216,987
Total Revenue	\$610,154	(5.3)%	\$644,301
Operating profit	\$231,593	(12.3)%	\$264,052
% Operating margin	38.0%		41.0%

Revenue and Operating Profit

- Credit Market Services revenue decreased as the result of continuing declines in structured finance and the impact of foreign exchange rates. These declines were partially mitigated by increases in credit ratings-related information products such as RatingsXpress and RatingsDirect.
 - o Continued decreases in issuance volumes in both the United States and Europe of residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), collateralized debt obligations (“CDO”) and asset-backed securities (“ABS”) contributed to the decrease in revenue. These declines more than offset the revenue benefit resulting from very strong investment grade corporate issuance, primarily in the industrial sector.
 - o Growth in information products was driven by increased customer demand for value-added solutions.
 - o Revenue derived from non-transaction related sources includes surveillance fees, annual contracts, subscription, and rating fees earned relating to cancelled transactions (“breakage fees”). For the first quarter of 2009, non-transaction related revenue decreased moderately compared to the first quarter of 2008 primarily as the result of lower breakage fees. Non-transaction related revenue represented 71.5% of total Credit Market Services revenue for the first quarter of 2009 compared to 68.0% for the first quarter of 2008. The increase of non-transaction related revenue as a proportion of total Credit Market Services revenue is attributable to the decline in transaction related revenue during the first quarter of 2009.
- Investment Services revenue increased slightly driven by the following factors:
 - o The number of Capital IQ clients at March 31, 2009 increased 14.9% from the prior year and 1.5% from December 31, 2008.
 - o Growth in revenue from Index Services driven by increased index license fees relating to over-the-counter derivatives, and mutual funds, in addition to increased customer demand for index data.
- Foreign exchange negatively impacted revenue by \$23.8 million and favorably impacted operating profit by \$3.7 million.

Issuance Volumes

The Company monitors issuance volumes as an indicator of trends in transaction revenue streams within Credit Market Services. The following table depicts changes in issuance levels as compared to prior year, based on Harrison Scott Publications and Standard & Poor’s internal estimates (Harrison Scott Publications/S&P). Revenue was adversely impacted by the declines in issuance volumes of structured finance products in both the U.S. and Europe.

Structured Finance	First Quarter Compared to Prior Year	
	U.S.	Europe
Residential Mortgage-Backed Securities	-24.5%	-98.8%
Commercial Mortgage-Backed Securities	-100.0%	-100.0%
Collateralized Debt Obligations	-61.3%	-95.7%
Asset-Backed Securities	-83.5%	-58.9%
Total New Issue Dollars (Structured Finance)	-76.3%	-90.5%

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- All structured finance asset classes continue to experience lack of investor demand and relatively illiquid secondary trading markets.
- No CMBS issuance occurred in the U.S. and in Europe due to the market dislocation attributed to weak commercial origination levels and wide credit spreads making securitization an uneconomical funding mechanism.

Corporate Issuance	First Quarter Compared to Prior Year	
	U.S.	Europe
High Yield Issuance	54.8%	89.1%
Investment Grade	12.8%	74.1%
Total New Issue Dollars (Corporate)	13.9%	74.1%

- Corporate debt issuance increased as a result of issuers seeking to increase their liquidity positions and to refinance maturing debt.
- Refer to the *Risks and Uncertainties* included in the “Consolidated Review” section of this *Management’s Discussion and Analysis of Financial Condition and Results of Operations* .

Outlook

Investment grade corporate issuance, primarily in the industrial sector, for the first quarter of 2009 was very strong. However, many sectors of the global credit markets, especially the structured finance market, continue to experience liquidity issues. The current conditions in the global financial markets have resulted from challenged credit markets, financial difficulties experienced by several financial institutions and shrinking investor confidence in the capital markets. Because of the current credit market conditions, issuance levels have deteriorated significantly across all structured finance asset classes. It is possible that these market conditions and global issuance levels in structured finance could persist through 2009. In addition, it is uncertain whether the rebound in investment grade corporate issuance experienced during the first quarter will continue throughout 2009. Also, the outlook for RMBS, CMBS and CDO asset classes as well as other asset classes is dependent upon many factors, including the general condition of the economy, interest rates, credit quality and spreads, and the level of liquidity in the financial markets. Although several governments and central banks around the globe have implemented measures in an attempt to provide additional liquidity to the global credit markets, it is still too early to determine the effectiveness of these measures.

Regulatory Environment

The following amends the disclosure in the *Legal and Regulatory Environment* disclosure for the Financial Services segment in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

The financial services industry is subject to the potential for increased regulation in the United States and abroad. The businesses conducted by the Financial Services segment are in certain cases regulated under the Credit Rating Agency Reform Act of 2006, U.S. Investment Advisers Act of 1940, the U.S. Securities Exchange Act of 1934 and/or the laws of the states or other jurisdictions in which they conduct business.

In April 2009, the new SEC rules described in the Company’s 2008 Annual Report on Form 10-K went into effect. The new rules address a broad range of issues, including disclosure and management of conflicts related to the issuer-pays model, prohibitions against analysts accepting gifts or making “recommendations” when rating a security, and limitations on analyst participation in fee discussions. Under the new rules, additional records of all rating actions must be created, retained and made public, including a sampling of rating histories for issuer-paid ratings (this rule is expected to become effective in August 2009), and records must be kept of material deviations in ratings assigned from model outputs as well as complaints about analysts’ performance. The new rules require more disclosure of performance statistics and methodologies and a new annual report by NRSROs of their rating actions to be provided confidentially to the SEC.

New legislation, regulations or judicial determinations applicable to credit rating agencies in the United States and abroad could affect the competitive position and the business model of Standard & Poor’s Ratings Services; however, the Company does

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not believe that any new or currently proposed legislation, regulations or judicial determinations would have a materially adverse effect on its financial condition or results of operations.

The market for credit ratings as well as the markets for research and investment advisory services are very competitive. The Financial Services segment competes domestically and internationally on the basis of a number of factors, including the quality of its ratings, research and investment advisory businesses, client service, reputation, price, geographic scope, range of products and technological innovation. In addition, in some of the countries in which Standard & Poor's competes, governments may provide financial or other support to locally-based rating agencies and may from time to time establish official credit rating agencies, credit ratings criteria or procedures for evaluating local issuers.

Legal Proceedings

See Footnote 12 — *Commitments and Contingencies* to the Company's Consolidated Financial Statements for legal proceedings disclosure that amends the disclosure in the Company's Annual Report for the year ended December 31, 2008.

Information & Media

	First Quarter 2009	% Decrease	First Quarter 2008
Revenue			
Business-to-Business	\$207,143	(5.7)%	\$219,687
Broadcasting	18,282	(22.9)%	23,727
Total revenue	\$225,425	(7.4)%	\$243,414
Operating profit	\$ 2,772	(76.4)%	\$ 11,726
% Operating margin	1.2%		4.8%

Revenue and Operating Profit

- Business-to-Business Group revenue decline was primarily driven by decreases at *BusinessWeek*, J.D. Power and Associates and advertising products in the construction industry partially offset by an increase in Platts, a leading provider of energy and other commodities information.
 - o Current economic weakness continues to drive declines in advertising, softness in the automotive industry and decreases in the construction market.
 - o Global commodities products related to oil, natural gas and power experienced growth as the continued volatility in crude oil and other commodity prices drove the continued need for market information.
 - o During the first quarter of 2009, J.D. Power and Associates transitioned a number of syndicated studies to an online service platform. This resulted in \$4.7 million of revenue and \$2.3 million of operating profit that would have been recognized in the first quarter to be deferred and will be recognized over the service period.
- According to the Publishers Information Bureau ("PIB"), *BusinessWeek's* advertising pages in the global edition for the first quarter were down 39.8%, with two fewer issues year to year for PIB purposes and for revenue recognition purposes.
- Broadcasting revenue for the quarter decreased due to reductions in both base and political advertising, primarily due to economic weakness in key markets and to 2009 being a non-political election year.
- Foreign exchange rates had an immaterial impact on segment revenue and a \$3.6 million favorable impact on operating profit.

Industry Highlights and Outlook

- In the first quarter of 2009, the dollar value of total U.S. construction starts was down 40.0% against the same period of the prior year. Most of the decline was due to a 52.0% decrease in residential building activity, and a 47.0% decrease in non-residential construction from lower commercial and manufacturing building activities, while non-building construction was down 11.0%.

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- According to the PIB, advertising pages for all consumer magazine publications were down 26.1% in the first quarter of 2009 compared to 2008.
- In the first quarter of 2009, the dollar value of total U.S. light vehicle sales was down 36.7% on a 34.3% decline in total sales volume against the same period of the prior year. Sharply increased industry incentive spending helped offset some sales decline, although not enough to offset core economic factors.
- Refer to the *Risks and Uncertainties* included in the “Consolidated Review” section of this *Management’s Discussion and Analysis of Financial Condition and Results of Operations* .

Liquidity and Capital Resources

The Company continues to maintain a strong financial position. The Company’s primary source of funds for operations is cash generated by operating activities. The Company’s core businesses have been strong cash generators. Income and, consequently, cash provided from operations during the year are significantly impacted by the seasonality of businesses, particularly educational publishing. This seasonality also impacts cash flow and related borrowing patterns as investments are typically made in the first half of the year to support the strong selling period that occurs in the third quarter. As a result, the Company’s cash flow is typically lower in the first half of the year and higher during the third and fourth quarters. Debt financing is used as necessary for seasonal fluctuations in working capital, for acquisitions and share repurchases. Cash and cash equivalents were \$496.8 million at March 31, 2009, an increase of \$25.1 million from December 31, 2008 and consist primarily of cash held abroad. Typically, cash held outside the United States is anticipated to be utilized to fund international operations or to be reinvested outside of the United States, as a significant portion of the Company’s opportunities for growth in the coming years are expected to be abroad.

Cash Flow

Operating Activities: Cash provided by operations was \$67.1 million for the first three months of 2009, as compared to cash used for operations of \$112.3 million in 2008. The increase in cash from operating activities from the prior year is primarily the result of decreases in accounts payable and accrued expenses.

As of March 31, 2009, accounts receivable (before reserves) decreased \$211.8 million from the prior year-end, primarily due to the seasonality of the Educational and Information & Media businesses and strong cash collections during the quarter. Additionally, revenue declines during the first quarter of 2009 contributed to the accounts receivable decrease. This decrease compares to a \$230.7 million decrease in the first quarter of 2008. The number of days sales outstanding for operations have decreased by 6 days year over year, primarily due to strong cash collections across all of the Company’s segments. Inventories increased by \$20.8 million from the end of 2008 as the Company’s education business prepares for its selling season. The decrease in inventory purchases over the prior year is primarily the result of the stronger adoption opportunities in 2008 compared with 2009.

Accounts payable and accrued expenses decreased by \$265.6 million over the prior year-end primarily due to the decrease in performance based compensation payments in the first quarter of 2009 versus prior year. This decrease compares to a \$397.7 million decrease in 2008.

Investing Activities: Cash used for investing activities was \$52.4 million and \$108.1 million in the first three months of 2009 and 2008, respectively. The decrease over the prior year is primarily due to decreased investment in prepublication costs in the first quarter of 2009 as compared to 2008 due to the adoption cycle, decreased capital spending in the first quarter of 2009, and the impact of acquisitions in the first quarter of 2008.

Purchases of property and equipment totaled \$8.0 million in the first three months of 2009 compared with \$23.6 million in 2008. For 2009, capital expenditures are expected to be approximately \$90 million and primarily relate to increased investment in the Company’s information technology data centers and other technology initiatives.

Net prepublication costs increased \$14.7 million from December 31, 2008 to \$567.2 million, as spending outpaced amortization. Prepublication investment in the current year totaled \$42.7 million as of March 31, 2009, \$23.9 million less than the same period in 2008. Prepublication investment for 2009 is expected to be approximately \$225 million, reflecting new product development in light of the significant adoption opportunities in key states in 2009 and beyond.

Financing Activities: Cash generated from financing activities was \$19.0 million through March 31, 2009 compared to \$213.4 million in 2008. The difference is primarily attributable to a reduction of \$306.3 million in borrowings of

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commercial paper and reduced stock option exercises in the first quarter of 2009, partially offset by a \$134.0 million reduction in share repurchases in 2009. In the first quarter of 2009, the Company has not repurchased any shares. In the first quarter of 2008, cash was utilized to repurchase approximately 3.4 million shares for \$134.0 million. Shares repurchased under the repurchase program were used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options.

There were \$159.9 million and \$396.2 million in commercial paper borrowings outstanding as of March 31, 2009 and 2008, respectively, with an average interest rate and average term of 0.3% and 15 days, and 2.4% and 31 days, respectively. The size of the Company's total commercial paper program remains \$1.2 billion and is supported by the revolving credit agreement described below.

On September 12, 2008 the Company closed on two new revolving credit facility agreements totaling \$1.15 billion collectively (the "new credit facility") to replace the existing \$1.2 billion five-year credit facility that was to expire on July 20, 2009. The new credit facility is with a syndicate of fourteen banks led by JP Morgan Chase and Bank of America. The existing credit facility was cancelled after the new facility became effective.

The new credit facility consists of two separate tranches, a \$383.3 million 364-day facility that will terminate on September 11, 2009 and a \$766.7 million 3-year facility that will terminate on September 12, 2011. The Company pays a commitment fee of 8-17.5 basis points for the 364-day facility and a commitment fee of 10-20 basis points for the 3-year facility, depending upon the credit rating of the Company, whether or not amounts have been borrowed. At the Company's current credit rating, the commitment fee is 8 basis points for the 364-day facility and 10 basis points for the 3-year facility. The interest rate on borrowings under the credit facility is, at the Company's option, based on (i) a spread over the prevailing London Inter-Bank Offer Rate ("LIBOR") that is calculated by multiplying the current 30 business day average of the CDX 5-year investment grade index by a percentage, ranging from 50-100% that is based on the Company's credit rating ("LIBOR loans"), which at the Company's current credit rating, the borrowing rate would be 50% of this index, with a minimum spread of 0.5%, or (ii) on the higher of prime, which is the rate of interest publicly announced by the administrative agent, or 0.5% plus the Federal funds rate ("ABR loans").

The Company has the option at the termination of the 364-day facility to convert any revolving loans outstanding into term loans for an additional year. Term loans can be LIBOR loans or ABR loans and would carry an additional spread of 0.35%.

The new credit facility contains certain covenants. The only financial covenant requires that the Company not exceed indebtedness to cash flow ratio, as defined in the new credit facility, of 4 to 1. This covenant is similar to the previous credit agreements and has never been exceeded. There were no borrowings under either of the facilities as of March 31, 2009 and March 31, 2008.

The Company has the capacity to issue Extendible Commercial Notes ("ECNs") of up to \$240 million, provided that sufficient investor demand for ECNs exists. ECNs replicate commercial paper, except that the Company has an option to extend the note beyond its initial redemption date to a maximum final maturity of 390 days. However, if exercised, such an extension is at a higher reset rate, which is at a predetermined spread over LIBOR and is related to the Company's commercial paper rating at the time of extension. As a result of the extension option, no backup facilities for these borrowings are required. As is the case with commercial paper, ECNs have no financial covenants. There were no ECN borrowings outstanding as of March 31, 2009 and March 31, 2008. In the current credit environment, the ECN market is not available and the Company has no plans to utilize this market.

On April 19, 2007, the Company signed a promissory note with one of its providers of banking services to enable the Company to borrow additional funds, on an uncommitted basis, from time to time to supplement its commercial paper and ECN borrowings. The specific terms (principal, interest rate and maturity date) of each borrowing governed by this promissory note are determined on the borrowing date of each loan. These borrowings have no financial covenants. There were no promissory note borrowings outstanding as of March 31, 2009 and March 31, 2008. In the current credit environment, the market for these instruments is currently not available and the Company has no plans to utilize them in the short-term.

On January 1, 2009, the Company transferred most of Standard & Poor's U.S. properties and assets from a division to a newly-formed, wholly-owned subsidiary. This reorganization was initiated to address future operational and financial conditions, and will not affect the ongoing conduct of Standard & Poor's businesses, including the credit ratings business.

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In conjunction with this reorganization, a series of supplemental agreements were executed. They include a supplemental indenture for the Company's \$1.2 billion senior notes (three tranches of \$400 million due in 2012, 2017 and 2037), amendments to the company's current \$1.15 billion Credit Agreement (including both the 364-day and the 3-year agreements), amendments to the commercial paper issuing and paying agency agreement (with JP Morgan Chase) and amended and restated commercial paper dealer agreements (with JP Morgan Chase, Morgan Stanley and Merrill Lynch). All of these agreements and amendments provide that the new S&P subsidiary will guarantee the senior notes issued pursuant to the indenture, amounts borrowed under the credit agreement and the commercial paper.

On January 31, 2007, the Board of Directors approved an additional stock repurchase program (the "2007 program") authorizing the repurchase of up to 45.0 million shares, which was approximately 12.7% of the total shares of the Company's outstanding common stock at that time. The repurchased shares are used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options. Purchases under this program were made from time to time on the open market and in private transactions depending on market conditions. The Company did not repurchase any shares during the first quarter of 2009. At March 31, 2009, authorization for the repurchase of 17.1 million shares remained under the 2007 program.

On January 28, 2009, the Board of Directors approved an increase in the quarterly common stock dividend from \$0.22 to \$0.225 per share.

Quantitative and Qualitative Disclosure about Market Risk

The Company is exposed to market risk from changes in foreign exchange rates. The Company has operations in various foreign countries. For most international operations, the functional currency is the local currency. For international operations that are determined to be extensions of the Parent Company, the U.S. dollar is the functional currency. For hyper-inflationary economies, the functional currency is the U.S. dollar. In the normal course of business, these operations are exposed to fluctuations in currency values. The Company does not generally enter into derivative financial instruments in the normal course of business, nor are such instruments used for speculative purposes. The Company has no such instruments outstanding at this time.

The Company typically has naturally hedged positions in most countries from a local currency perspective with offsetting assets and liabilities. The gross amount of the Company's foreign exchange balance sheet exposure from operations is \$167.4 million as of March 31, 2009. Management has estimated using an undiversified average value-at-risk analysis with a 95% confidence level that the foreign exchange gains and losses should not exceed \$22.9 million over the next year based on the historical volatilities of the portfolio.

The Company's net interest expense is sensitive to changes in the general level of U.S. and foreign interest rates. Based on average debt and investments outstanding during the first quarter of 2009, the following is the projected annual impact on interest expense on current operations:

Percent change in interest rates (+/-)	Projected annual pre-tax impact on operations (millions)
1%	\$3.5

Recently Issued Accounting Standards

See Footnote 14.

Since the date of the Annual Report, there have been no other material changes to the Company's critical accounting policies.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

This section, as well as other portions of this document, includes certain forward-looking statements about the Company's businesses and our prospects, new products, sales, expenses, tax rates, cash flows, prepublication investments and operating and capital requirements. Such forward-looking statements include, but are not limited to: the strength and sustainability of the U.S. and global economy; the duration and depth of the current recession; Educational Publishing's level of success in 2009 adoptions and in open territories and enrollment and demographic trends; the level of educational funding; the strength of School Education including the testing market, Higher Education, Professional and International publishing markets and the impact of technology on them; the level of

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interest rates and the strength of the economy, profit levels and the capital markets in the U.S. and abroad; the level of success of new product development and global expansion and strength of domestic and international markets; the demand and market for debt ratings, including collateralized debt obligations (“CDO”), residential and commercial mortgage and asset-backed securities and related asset classes; the continued difficulties in the credit markets and their impact on Standard & Poor’s and the economy in general; the regulatory environment affecting Standard & Poor’s; the level of merger and acquisition activity in the U.S. and abroad; the strength of the domestic and international advertising markets; the strength and the performance of the domestic and international automotive markets; the volatility of the energy marketplace; the contract value of public works, manufacturing and single-family unit construction; the level of political advertising; and the level of future cash flow, debt levels, manufacturing expenses, distribution expenses, prepublication, amortization and depreciation expense, income tax rates, capital, technology, restructuring charges and other expenditures and prepublication cost investment.

Actual results may differ materially from those in any forward-looking statements because any such statements involve risks and uncertainties and are subject to change based upon various important factors, including, but not limited to, worldwide economic, financial, political and regulatory conditions; currency and foreign exchange volatility; the health of debt and equity markets, including interest rates, credit quality and spreads, the level of liquidity, future debt issuances including residential and commercial mortgage-backed securities and CDOs backed by residential mortgages and related asset classes; the implementation of an expanded regulatory scheme affecting Standard & Poor’s ratings and services; the level of funding in the education market (both domestically and internationally); the pace of recovery in advertising; continued investment by the construction, automotive, computer and aviation industries; the successful marketing of new products, and the effect of competitive products and pricing.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has no material changes to the disclosure made on this matter in the Company’s report on Form 10-K for the year ended December 31, 2008. Please see Item 2 of this Form 10-Q for additional market risk disclosures.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company’s reports filed with the Securities and Exchange Commission (“SEC”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2009, an evaluation was performed under the supervision and with the participation of the Company’s management, including the CEO and CFO, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) under the U.S. Securities Exchange Act of 1934). Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2009.

Other Matters

There have been no changes in the Company’s internal controls over financial reporting during the most recent quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

See Footnote 12 — *Commitments and Contingencies* to the Company’s Consolidated Financial Statements for legal proceedings disclosure that amends the disclosure in the Company’s Annual Report for the year ended December 31, 2008.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 31, 2007 the Board of Directors approved a new stock repurchase program authorizing the purchase of up to 45.0 million shares, which was approximately 12.7% of the total shares of the Company's outstanding common stock at that time. During the first three months of 2009, the Company did not repurchase any shares under the 2007 repurchase program. As of March 31, 2009, 17.1 million shares remained available under the 2007 repurchase program. The repurchase program has no expiration date. The repurchased shares may be used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options. Purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions.

The following table provides information on purchases made by the Company of its outstanding common stock during the first quarter of 2009 pursuant to the stock repurchase program authorized by the Board of Directors on January 31, 2007 (column c). In addition to purchases under the 2007 stock repurchase program, the number of shares in column (a) include: 1) shares of common stock that are tendered to the Registrant to satisfy the employees' tax withholding obligations in connection with the vesting of awards of restricted performance shares (such shares are repurchased by the Registrant based on their fair market value on the vesting date), and 2) shares of the Registrant deemed surrendered to the Registrant to pay the exercise price and to satisfy the employees' tax withholding obligations in connection with the exercise of employee stock options. There were no other share repurchases during the quarter outside the stock repurchases noted below:

Period	(a) Total Number of Shares Purchased (in millions)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs (in millions)	(d) Maximum Number of Shares that may yet be Purchased Under the Programs (in millions)
(Jan. 1 – Jan. 31, 2009)	—	—	—	17.1
(Feb. 1 – Feb. 28, 2009)	0.6	\$20.62	—	17.1
(Mar. 1 – Mar. 31, 2009)	—	—	—	17.1
Total – Qtr	0.6	\$20.62	—	17.1

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Item 6. Exhibits

- (10.1)* Compensatory Arrangement for Charles L. Teschner, Executive Vice President, Global Strategy
- (10.2)* Compensatory Arrangement for D. Edward Smyth, Executive Vice President, Corporate Affairs and Executive Assistant to the Chairman, President and Chief Executive Officer
- (10.3)* Terms and Conditions of 2009 Performance Share Unit Award
 - (15) Letter on Unaudited Interim Financials
- (31.1) Quarterly Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (31.2) Quarterly Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - (32) Quarterly Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* These exhibits relate to compensatory plan arrangements.

SIGNATURES

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

THE MCGRAW-HILL COMPANIES, INC.

Date: April 29, 2009

By /s/ Robert J. Bahash
Robert J. Bahash
Executive Vice President and
Chief Financial Officer

Date: April 29, 2009

By /s/ Kenneth M. Vittor
Kenneth M. Vittor
Executive Vice President and
General Counsel

Date: April 29, 2009

By /s/ Emmanuel N. Korakis
Emmanuel N. Korakis
Senior Vice President and
Corporate Controller

Compensatory Arrangement for Charles L. Teschner, Executive Vice President, Global Strategy.

1. Base salary of \$625,000
2. Participation in The McGraw-Hill Companies' Key Executive Short-Term Incentive Compensation Plan. For 2009 Plan Year, incentive opportunity of \$400,000 is guaranteed, less applicable income tax deductions. Payment is subject to employment with the Corporation on the Plan payout date on or before March 15, 2010.
3. Participation in The McGraw-Hill Companies' Long-Term Stock Incentive Program. For the 2009 Plan Year, a grant value of \$800,000 consisting of Performance Share Units and Stock Options. For purposes of determining the number of shares of said grant, the 2008 share grant values will be employed.
4. Sign-on Bonus of Restricted Stock with an award date value of \$400,000. Said shares will fully vest on the third anniversary of the award.
5. Subject to paragraphs 1 through 4 above, participation in all other benefit plans and programs routinely made available to senior executives of the Corporation.

Compensatory Arrangement for D. Edward Smyth, Executive Vice President, Corporate Affairs and Executive Assistant to the Chairman, President and Chief Executive Officer

1. Base salary of \$500,000
2. Participation in The McGraw-Hill Companies' Key Executive Short-Term Incentive Compensation Plan. For 2009 Plan Year, incentive opportunity of \$300,000 is guaranteed, less applicable income tax deductions. Payment is subject to employment with the Corporation on the Plan payout date on or before March 15, 2010.
3. Participation in The McGraw-Hill Companies' Long-Term Stock Incentive Program. For the 2009 Plan Year, a grant value of \$750,000 consisting of Performance Share Units and Stock Options. For purposes of determining the number of shares of said grant, the 2008 share grant values will be employed.
4. Sign-on Bonus of Restricted Stock with an award date value of \$250,000. Said shares will fully vest on the third anniversary of the award.
5. Subject to paragraphs 1 through 4 above, participation in all other benefit plans and programs routinely made available to senior executives of the Corporation.

TERMS AND CONDITIONS OF 2009

PERFORMANCE SHARE UNIT AWARD

Performance Share Unit Award made as of the 1st day of April 2009 (the "Award Date"), by The McGraw-Hill Companies, Inc., a New York corporation ("McGraw-Hill").

WHEREAS, the Board of Directors of McGraw-Hill (the "Board") has designated the Compensation Committee of the Board (the "Committee") to administer the 2002 Stock Incentive Plan, as amended and restated (the "Plan"), with respect to certain executives of the Company;

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the Plan;

WHEREAS, the Committee has determined that the Employee should be granted a Performance Share Unit Award under the Plan for the number of Performance Share Units ("Units") as specified in the Employee's Performance Share Unit Award Document; and

WHEREAS, the Employee is accepting the Performance Share Unit Award subject to the terms and conditions set forth below:

1. Grant of Awards. The grant of this Performance Share Unit Award ("Award") is subject to the terms and conditions hereinafter set forth with respect to the Units covered by this Award. Payment, if any, under the Award will be made in the number of shares of Stock

corresponding to the number of Units earned hereunder, with each Unit corresponding to one share of Stock, together with an amount in cash equal to the value of the Dividend Equivalents on such Shares.

Upon grant of the Award, no stock or other certificate representing said Units or the shares of Stock represented thereby will be issued to or registered in the name of the Employee. The ultimate receipt of the shares of Stock by the Employee and payment of Dividend Equivalents thereon is contingent upon achievement of the EPS goal established by the Committee hereunder and the additional requirements set forth herein.

The Employee does not have an absolute right to receive a fixed or determinable amount either at the inception or expiration of the Award Period (as defined below).

2. Performance Goals. The achievement of this Award shall be measured against a one-year Earnings Per Share ("EPS") schedule established by the Committee for 2009. This schedule shall govern the determination of the Units earned and payable hereunder subject to and in accordance with the other terms of this Award. If 2009 EPS equals 100% of the target EPS goal, the Employee shall earn 100% of the Units, subject to the additional requirements hereunder. For 2009 EPS between the minimum payout level as established by the Committee and the target goal, the Employee shall earn a *pro rata* portion of the Units. For EPS growth that equals or exceeds the 150% payout level, as established by the Committee, the Employee shall earn 150% of the Units payable at the 100% payout level. For growth between the target goal and the 150% payout level, as established by the Committee, the Employee shall earn 100% of

the Units plus a *pro rata* portion of the additional Units between the 100% and 150% payout levels.

For purposes of this Award, EPS means diluted earnings per share as shown on the Consolidated Statement of Income in the Company's Annual Report adjusted to exclude the following items:

- (1) Charges for Discontinued Operations;
- (2) Charges for Extraordinary items and any other unusual or non-recurring items of loss or expense, including restructuring charges;
- (3) The impact of changes in Accounting Principles when any such change was not reflected in EPS for the 2008 fiscal year;
- (4) Any one-time charge, or dilution caused by seasonal impact or other factors, resulting from any acquisition or divestiture; and
- (5) The effect of changes in Federal corporate Tax Rates.

Items (1) through (4) above shall be taken into account as adjustments to EPS for purposes of calculating the amount of this Award earned by the Employee only to the extent that they are separately identified on the Consolidated Statement of Income in the Company's Annual Report or separately quantified in the Notes to the Consolidated Financial Statements or in the Management's Discussion and Analysis section of the Company's Annual Report or in other Company filings with the Securities and Exchange Commission. Notwithstanding anything contained herein, the Committee, in its sole discretion, reserves the right: (i) with respect to any Employee who is, in the year such Award becomes deductible by the Company, a "covered employee" within the meaning of Section 162(m)(3) of the Internal Revenue Code of 1986, as amended (together with the Regulations thereunder, the "Code"), to exclude from the

computation of EPS all or any part of any item of extraordinary, unusual, non-recurring or special gain or income (but not any item of loss or expense), whether or not shown separately on the Consolidated Statement of Income, and whether or not separately quantified in the Notes to the Consolidated Financial Statements or in the Management's Discussion and Analysis section of the Company's Annual Report or in other Company filings with the Securities and Exchange Commission, that the Committee considers appropriate to so exclude, (ii) with respect to any Employee, to exclude less than all of an item of loss or expense described in Items (1) through (5) above, and (iii) with respect to any Employee who is not, in the year such Award becomes deductible by the Company, a "covered employee" (or who is a "covered employee" but whose aggregate compensation, including this Award, is less than \$1 million), to exclude from the computation of EPS all or any part of any item of extraordinary, unusual, non-recurring or special gain, income, loss or expense, whether or not shown separately on the Consolidated Statement of Income, and whether or not separately quantified in the Notes to the Consolidated Financial Statements or in the Management's Discussion and Analysis section of the Company's Annual Report or in other Company filings with the Securities and Exchange Commission, that the Committee considers appropriate to so exclude.

It is the intention of the Company that this Award shall satisfy the requirements for "other performance based compensation" within the meaning of Section 162(m)(4)(C) of the Code, except to the extent Section 9 herein becomes applicable, and be deductible by the Company notwithstanding the provisions of Section 162(m)(1) of the Code disallowing deductions for annual compensation in excess of \$1 million paid or accrued to or for a "covered employee". The Company reserves the right, in the event that any portion of this Award otherwise payable hereunder to a "covered employee" is ineligible for treatment as "other performance based

compensation” and if, but only if, such ineligibility would result in the loss of tax deductions to the Company, to defer, in whole or in part, the Employee’s receipt of such Award under the terms of the following paragraph, but only with respect to Awards that become payable before a Change of Control, in all cases subject to and in accordance with the requirements of Treasury Regulations Section 1.409A-2(b)(7)(i) or any successor provision thereto.

Under the circumstances described in the preceding paragraph and in accordance therewith, (a) the Employee shall, but only to the extent necessary to avoid a deduction limitation to the Company, forfeit all rights to this Award and (b) the Company shall credit to an account for the Employee maintained on the books and records of the Company an amount equal to the Fair Market Value on the Payment Date (as defined below) of such shares of Stock and the value of such Dividend Equivalents as would be otherwise payable hereunder. The amount credited for the Employee’s account, together with interest calculated at the same rates used to calculate interest on deferred balances in the Company’s Key Executive Short-Term Deferred Compensation Plan or any successor plan thereto (in each case, as in effect from time to time), shall be paid in a lump sum on the earliest date at which the Company reasonably anticipates that the deduction of the payment of the amount shall not be limited or eliminated by application of Section 162(m) of the Code.

3. Maturity and Payment Dates. The maturity date of this Award shall be December 31, 2011 (the “Maturity Date”). The “Payment Date” referred to herein shall be a date in 2012 that is on or before January 31, 2012.

4. Distribution Following Maturity Date. If the Employee remains an employee of the Company through the Maturity Date, the Units earned in accordance with the payout

schedule established by the Committee, together with any Dividend Equivalents earned thereon (as determined in accordance with Section 6 hereof), shall be paid to the Employee on the Payment Date. The Units payable to the Employee shall be converted into shares of Stock and such shares shall be delivered to the Employee on the Payment Date. Any Dividend Equivalents earned on such shares shall be paid in cash on the Payment Date.

Before payment is made to the Employee, the Company must withhold all applicable Federal, state and local income taxes. The Company shall hold back a sufficient number of the shares and cash which would otherwise be delivered to the Employee to satisfy the required withholding obligation.

5. Termination of Employment Prior to Maturity Date. In the event of the termination of the Employee's employment with the Company prior to the Maturity Date due to (i) Normal Retirement, Early Retirement, or Disability under the Company's or one of its subsidiaries' retirement or disability plans, (ii) death, or (iii) with the approval of the Committee, in connection with a termination by the Company other than for Cause, the Employee shall be eligible to receive payment of a *pro rata* portion of this Award.

Except as provided in Section 9 hereof, in the event the Employee voluntarily resigns his or her employment with the Company or is involuntarily terminated by the Company for Cause prior to the Maturity Date, the Employee shall forfeit the right to any payment under this Award.

(a) Determination of Pro Rata Award Opportunity.

(i) The *pro rata* portion of the Award to be received by the Employee if he or she terminates because of Normal Retirement, Early Retirement, or Disability

under the Company's or one of its subsidiaries' retirement or disability plans, shall be determined: (a) first, by multiplying the number of Units by a fraction, the numerator of which is the number of years completed (counting the year of termination as a completed year) during the period commencing on January 1, 2009, and ending on the Maturity Date (the "Award Period") and the denominator of which is three years; (b) second, by determining the achievement of 2009 EPS; and (c) by awarding the number of Units determined in (a) based on the degree to which the achievement calculated in (b) achieves the EPS goal established for the Award, subject to the limits set forth in the goal and payout schedule established for this Award and to the provisions of Section 2 hereof.

(ii) The *pro rata* portion of the Award to be received by the Employee, with the approval of the Committee, in connection with a termination by the Company other than for Cause, shall be determined: (a) first, by multiplying the number of Units by a fraction, the numerator of which is the number of full months during the performance period in which the Employee participated and the denominator of which is 36 months; (b) second, by determining the achievement of 2009 EPS; and (c) by awarding the number of Units determined in (a) based on the degree to which the achievement calculated in (b) achieves the EPS goal established for the Award, subject to the limits set forth in the goal and payout schedule established for this Award and to the provisions of Section 2 hereof.

(iii) The *pro rata* portion of the Award to be received by the Employee if he or she terminates because of death, shall be determined: (a) first, by multiplying the number of Units by a fraction, the numerator of which is the number of years completed during the Award Period (counting the year of termination as a completed year) and the

denominator of which is three years; (b) second, by determining the achievement of 2009 EPS; and (c) by awarding the number of Units determined in (a) based on the degree to which the achievement calculated in (b) achieves the EPS goal established for the Award, subject to the limits set forth in the goal and payout schedule established for this Award and to the provisions of Section 2 hereof.

(b) Distribution of Pro Rata Award.

(i) Termination Other Than for Death. In the event of the termination of the Employee's employment with the Company prior to the Maturity Date other than for death (including, without limitation, Normal Retirement, Early Retirement, Disability under the Company's or one of its subsidiaries' retirement or disability plans, or other than for Cause), the Employee's *pro rata* portion of the Award (if any) determined to have been earned out pursuant to Section 5(a) herein shall be delivered to the Employee on the Payment Date.

(ii) Termination for Death. In the event of the termination of the Employee's employment with the Company prior to the Maturity Date due to death, the Employee's *pro rata* portion of the Award (if any) determined to have been earned out pursuant to Section 5(a) herein shall be delivered to the Employee, not later than March 15, in the year immediately following the year in which death occurred.

6. Voting and Dividend Rights. Prior to the delivery of any shares of Stock covered by this Award, the Employee shall not have the right to vote or to receive any dividends with respect to such shares. Notwithstanding the foregoing, the Employee shall be eligible to receive Dividend Equivalents with respect to the number of Units earned under the Award, if any, in the

amount of the regular cash dividends payable on the equivalent number of shares of Stock (with each Unit corresponding to one share of Stock) for the period beginning January 1, 2010, and ending on the Maturity Date (or, if applicable, the date of payment in accordance with Section 5 (b)(ii) hereof), which Dividend Equivalents shall be paid in cash on the Payment Date (or the date of payment in accordance with Section 5(b) (ii) hereof), subject to the additional requirements set forth herein.

7. Transfer Restrictions. This Award and the Units and Dividend Equivalents are nontransferable (other than by will or by the laws of descent and distribution), and may not be transferred, sold, assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Any attempt to effect any of the foregoing shall be null and void.

8. Miscellaneous. These Terms and Conditions (a) shall be binding upon and inure to the benefit of any successor of the Company, (b) shall be governed by the laws of the State of New York and any applicable laws of the United States, and (c) may not be amended or modified in any way without the express written consent of both the Company and the Employee. Consent on behalf of the Company may only be given through a writing signed, dated and authorized by the Executive Vice President of Human Resources for McGraw-Hill, which directly refers to these Terms and Conditions and this Award. No other modifications to these Terms and Conditions are valid under any circumstances. No contract or right of employment shall be implied by this Award. If this Award is assumed or a new award is substituted therefor in any corporate reorganization (including, but not limited to, any transaction of the type referred to in Section 424(a) of the Code), employment by such assuming or substituting corporation or by a parent corporation or subsidiary thereof shall be considered for all purposes of this Award to be employment by the Company.

In the event of any merger, reorganization, consolidation, recapitalization, dividend (other than a dividend or its equivalent which is credited to the employee or a regular cash dividend), stock split or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the number of Units granted pursuant to this Award as may be determined to be appropriate by the Committee in its sole discretion.

Any payment pursuant to this Award shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company, and, except as the Committee may otherwise determine, 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.

9. Change in Control. In the event of a Change in Control, the following shall apply:

(a) If the Change in Control occurs prior to December 31, 2009, the EPS goal hereunder shall be deemed to have been achieved, and such achievement shall be at the higher of (i) the target EPS goal and (ii) the EPS goal the Employee would have earned for the Award cycle if the achievement of the relevant goal were measured as of the date such Change in Control is determined to have occurred solely with respect to the time frame in which the Award was outstanding. If the Change in Control occurs on or after December 31, 2009, achievement shall be determined based on the achievement of 2009 EPS, subject to the limits set forth in the goal and payout schedule established for this Award and the provisions of Section 2 hereof.

(b) (i) If the Change in Control constitutes a “change in control event” within the meaning of Section 409A(a)(2)(A)(v) of the Code (a “Section 409A Change in

Control”), then a *pro rata* portion of the Units earned under this Award as determined in Section 9(b)(ii) below shall be distributed immediately to the Employee in the form of shares of Stock, together with an amount in cash equal to the Dividend Equivalents, if any, on such shares for the period from January 1, 2010, through the Change in Control. If such Change in Control is not a Section 409A Change in Control, then all of the Units earned under this Award shall be converted into cash in accordance with Section 9(c) below and payment shall be made on the Payment Date or, if earlier, the Separation Payment Date, in accordance with the provisions of Section 9(c).

(ii) Calculation of the *pro rata* portion of the Units to be distributed to the Employee hereunder in the event of a Section 409A Change in Control shall be determined solely by multiplying the number of Units earned under this Award by a fraction, (x) the numerator of which is the number of calendar quarters of the 12 quarter cycle for the award which have occurred from the date hereof up to and including the calendar quarter in which the Section 409A Change in Control occurred and (y) the denominator of which is 12 quarters.

(c) (i) The Units earned under this Award other than the Units distributed to the Employee as shares of Stock pursuant to Section 9(b)(i) above in the event of a Section 409A Change in Control shall be converted into cash by the Company as of the date such Change in Control is determined to have occurred. The converted cash amount for each share of Stock shall be the Change in Control Price. For purposes of this paragraph, the “Change in Control Price” means the highest cash price per share of Stock paid in any transaction reported on the Consolidated Transaction Reporting System, 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 at any time during the sixty-day period ending on the date of the Change in Control, as determined by the Committee. Such cash amounts shall be retained by the Company for the benefit of the Employee and thereafter shall be distributed by the Company to the Employee on the Payment Date or, if earlier, the Separation Payment Date, in accordance with the other provisions of this Section 9(c).

(ii) If the payment to the shareholders of the Company in connection with the transaction giving rise to a Change in Control is in the form of securities, either in whole or in part, then for the purpose of determining the Change in Control Price such securities shall be deemed converted immediately by the Company into a cash equivalent amount as of the date of the Change in Control. The determination of such cash equivalent amount for such securities shall be made by an independent investment banking firm selected by the Company. The determination of the cash equivalent amount by this independent investment banking firm shall be final, conclusive and binding on all persons having an interest therein. All fees incurred in retaining this investment banking firm shall be paid for by the Company. These cash amounts so determined as a cash equivalent in the manner provided herein, together with the cash derived from converting the shares of Stock into cash under Section 9(c)(i) above, shall be retained by the Company for the benefit of the Employee and thereafter shall be distributed by the Company to the Employee on the Payment Date.

(iii) Notwithstanding anything herein to the contrary in Sections 9(c)(i) and 9(c)(ii) above, if in connection with a Change in Control the Company elects to fund other payments due senior executives of the Company pursuant to various management

and benefit plans by effecting payments to the “rabbi trust” for which the Bank of New York acts as trustee or through some other comparable vehicle in order to protect these payments for the benefit of the senior executives, the Company in such instance shall immediately fund the cash payment referred to herein on the same basis, for example, using a rabbi trust or other comparable vehicle, that are provided for other payments due senior executives of the Company.

(iv) If the Employee is terminated involuntarily (except for Cause) prior to the Maturity Date, Employee shall receive a cash payment computed as provided in Section 9(c) (i) and (ii) with respect to the Units that were not converted into shares of Stock and distributed to the Employee pursuant to Section 9(a) and (b)(i) calculated as of the date such Change in Control is determined to have occurred. The Employee shall receive the payment on (A) the Separation Payment Date, if the Change in Control is a Section 409A Change in Control and the Separation Date is not more than two years after the Change in Control, or (B) the Payment Date, if the Change in Control is not a Section 409A Change in Control or the Separation Date is more than two years after the Change in Control. For purposes of this Section 9 (c), the “Separation Date” means the date of the Employee’s “separation from service” with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code, and the “Separation Payment Date” means the Separation Date or, if the Employee is a “specified employee” as of the Separation Date within the meaning of Section 409A(a)(2)(B)(i) of the Code, the date that is six months after the Separation Date (or, if earlier, the date of the Employee’s death).

(v) If the employment of the Employee is terminated voluntarily prior to the Maturity Date and the Employee receives severance in accordance with any of the

provisions of the severance plan in which the Employee participates at the time of a Change in Control, the Employee shall receive a cash payment computed as provided in Section 9(c) (i) and (ii) with respect to the Units that were not converted into shares of Stock and distributed to the Employee pursuant to Section 9(a) and (b)(i) calculated as of the date such Change in Control is determined to have occurred. The Employee shall receive the payment on (A) the Separation Payment Date, if the Change in Control is a Section 409A Change in Control and the Separation Date is not more than two years after the Change in Control, or (B) the Payment Date, if the Change in Control is not a Section 409A Change in Control or the Separation Date is more than two years after the Change in Control.

(vi) If the employment of the Employee is terminated due to Retirement or Disability under the Company's or one of its subsidiaries' retirement or disability plans prior to the Maturity Date, the Employee shall receive a cash payment computed as provided in Section 9(c)(i) and (ii) with respect to the Units that were not converted into shares of Stock and distributed to the Employee pursuant to Section 9(a) and (b)(i) calculated as of the date the Change in Control is determined to have occurred. The Employee shall receive such payment on (A) the Separation Payment Date, if the Change in Control is a Section 409A Change in Control and the Separation Date is not more than two years after the Change in Control, or (B) the Payment Date, if the Change in Control is not a Section 409A Change in Control or the Separation Date is more than two years after the Change in Control.

(vii) If the employment of the Employee is terminated due to death prior to the Maturity Date, upon such termination, the Employee shall receive a cash

payment computed as provided in Section 9(c)(i) and (ii) with respect to the Units that were not converted into shares of Stock and distributed to the Employee pursuant to Section 9(a) and (b)(i) calculated as of the date the Change in Control is determined to have occurred.

(d) If in the event of a Change in Control no listing or registration statement is in effect pursuant to Section 10 below, the Company shall distribute to the Employee a cash equivalent amount representing the shares of Stock to be distributed to the Employee.

10. Securities Law Requirements. The Company shall not be required to issue shares of Stock in settlement of or otherwise pursuant to this Award unless and until (a) the shares have been duly listed upon each stock exchange on which the Stock is then registered; (b) a registration statement under the Securities Act of 1933, as amended, with respect to such shares is then effective; and (c) the issuance of the shares would comply with such legal or regulatory provisions of such countries or jurisdictions outside the United States as may be applicable in respect of this Award.

11. Section 409A . This Award is intended to provide for the “deferral of compensation” within the meaning of Section 409A(d)(1) of the Code and to meet the requirements of Section 409A(a)(2), (3) and (4) of the Code, and it shall be interpreted and construed in accordance with this intent.

12. Incorporation of Plan Provisions. This Award, including the Units and the shares of Stock, if any, to be issued hereunder, is made pursuant to the Plan and, except where specifically noted, the terms and conditions thereof are incorporated as if fully set forth herein.

The Board of Directors and Shareholders of
The McGraw-Hill Companies, Inc.

We are aware of the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-33667) pertaining to the Debt Securities of The McGraw-Hill Companies, Inc.,
- (2) Registration Statement (Form S-3 No. 333-146981) pertaining to the Debt Securities of The McGraw-Hill Companies, Inc.,
- (3) Registration Statement (Form S-8 No. 33-22344) pertaining to the 1987 Key Employee Stock Incentive Plan,
- (4) Registration Statements (Form S-8 No. 33-49743, No. 333-30043 and No. 333-40502) pertaining to the 1993 Employee Stock Incentive Plan,
- (5) Registration Statements (Form S-8 No. 333-92224 and No. 333-116993) pertaining to the 2002 Stock Incentive Plan,
- (6) Registration Statement (Form S-8 No. 333-06871) pertaining to the Director Deferred Stock Ownership Plan,
- (7) Registration Statement (Form S-8 No. 33-50856) pertaining to The Savings Incentive Plan of McGraw-Hill, Inc. and its Subsidiaries, The Employee Retirement Account Plan of McGraw-Hill, Inc. and its Subsidiaries, The Standard & Poor's Savings Incentive Plan for Represented Employees, The Standard & Poor's Employee Retirement Account Plan for Represented Employees, The Employees' Investment Plan of McGraw-Hill Broadcasting Company, Inc. and its Subsidiaries,
- (8) Registration Statement (Form S-8 No. 333-126465) pertaining to 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 Standard & Poor's Savings Incentive Plan for Represented Employees, and The Standard & Poor's Employee Retirement Account Plan for Represented Employees, and
- (9) Registration Statement (Form S-8 No. 333-157570) pertaining to The 401(k) Savings and Profit Sharing Plan of The McGraw-Hill Companies, Inc. and its Subsidiaries, and The Standard & Poor's 401(k) Savings and Profit Sharing Plan for Represented Employees

of our report dated April 29, 2009 relating to the unaudited consolidated interim financial statements of The McGraw-Hill Companies, Inc. which are included in its Form 10-Q for the quarter ended March 31, 2009.

/s/ ERNST & YOUNG LLP

New York, New York
April 29, 2009

**Quarterly Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Harold W. McGraw III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The McGraw-Hill Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2009

/s/ Harold W. McGraw III

Harold W. McGraw III
Chairman, President and
Chief Executive Officer

**Quarterly Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert J. Bahash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The McGraw-Hill Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2009

/s/ Robert J. Bahash
Robert J. Bahash
Executive Vice President
and Chief Financial Officer

**Quarterly Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of The McGraw-Hill Companies, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended March 31, 2009 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2009

/s/ Harold W. McGraw III

Harold W. McGraw III
Chairman, President and
Chief Executive Officer

Dated: April 29, 2009

/s/ Robert J. Bahash

Robert J. Bahash
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to The McGraw-Hill Companies, Inc. and will be retained by The McGraw-Hill Companies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request