

MCGRAW-HILL COMPANIES INC

FORM 10-Q (Quarterly Report)

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Industry	Printing & Publishing
Sector	Services
Fiscal Year	12/31

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

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

For the quarterly period ended March 31, 1999

Commission File Number 1-1023

THE MCGRAW-HILL COMPANIES, INC.

(Exact name of registrant as specified in its charter)

New York

13-1026995

(State of other jurisdiction of
incorporation or organization)

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

1221 Avenue of the Americas, New York, N.Y. 10020

(Address of Principal executive offices) (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 [X] NO []

On April 30, 1999 there were approximately 197.8 million shares of common stock (par value \$1.00 per share) outstanding.

The McGraw-Hill Companies, Inc.

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Part I
Financial Information

Item 1. Financial Statements

The McGraw-Hill Companies, Inc.

Consolidated Statement of Income

Three Months Ended March 31, 1999 and 1998

	1999	1998

	(in thousands, except per-share data)	

Operating revenue	\$ 716,471	\$ 703,420
Expenses:		
Operating	351,081	358,575
Selling and general	267,590	253,035
Depreciation and amortization	52,867	51,606
	-----	-----
Total expenses	671,538	663,216
Other income - net	4,586	4,912
	-----	-----
Income from operations	49,519	45,116
Interest expense - net	9,441	12,102
	-----	-----
Income before taxes on income	40,078	33,014
Provision for taxes on income	15,630	12,875
	-----	-----
Net Income	\$ 24,448	\$ 20,139
	=====	=====
Earnings per common share:		
Basic	\$ 0.12	\$ 0.10
	=====	=====
Diluted	\$ 0.12	\$ 0.10
	=====	=====
Average number of common shares outstanding:		
Basic	196,847	197,778
Diluted	199,330	199,582

The McGraw-Hill Companies, Inc.

 Consolidated Balance Sheet

	March 31, 1999	Dec. 31, 1998	March 31, 1998
	-----	-----	-----
	(In thousands)		
ASSETS			
Current assets:			
Cash and equivalents	\$ 36,041	\$ 10,451	\$ 1,721
Accounts receivable (net of allowance for doubtful accounts and sales returns) (Note 4)	773,667	950,296	803,113
Receivable from broker-dealers and dealer banks (Note 5)	7,286	4,597	9,115
Inventories (Note 4)	300,318	284,729	323,603
Prepaid income taxes	92,820	92,496	99,191
Prepaid and other current assets	107,293	86,192	92,502
	-----	-----	-----
Total current assets	1,317,425	1,428,761	1,329,245
	-----	-----	-----
Prepublication costs (net of accumulated amortization) (Note 4)	365,919	358,429	333,390
	-----	-----	-----
Investments and other assets:			
Investment in Rock-McGraw, Inc. - at equity	81,115	79,394	73,624
Prepaid pension expense	110,758	107,997	102,609
Other	192,660	189,991	170,971
	-----	-----	-----
Total investments and other assets	384,533	377,382	347,204
	-----	-----	-----
Property and equipment - at cost	962,471	914,805	847,002
Less - accumulated depreciation	568,103	550,781	579,589
	-----	-----	-----
Net property and equipment	394,368	364,024	267,413
	-----	-----	-----
Goodwill and other intangible assets - at cost (net of accumulated amortization)	1,238,722	1,259,548	1,289,116
	-----	-----	-----
	\$3,700,967	\$3,788,144	\$3,566,368
	=====	=====	=====

The McGraw-Hill Companies, Inc.

 Consolidated Balance Sheet

	March 31, 1999	Dec. 31, 1998	March 31, 1998
	-----	-----	-----
	(In thousands)		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 189,113	\$ 75,500	\$ 75,458
Accounts payable	226,310	318,572	231,687
Payable to broker-dealers and dealer banks (Note 5)	5,790	4,585	8,988
Accrued liabilities	204,555	312,916	172,571
Income taxes currently payable	62,917	67,396	108,272
Unearned revenue	247,825	236,167	240,227
Other current liabilities	278,859	276,315	241,093
	-----	-----	-----
Total current liabilities	1,215,369	1,291,451	1,078,296
	-----	-----	-----
Other liabilities:			
Long-term debt (Note 6)	451,825	452,097	606,901
Deferred income taxes	123,224	129,303	107,669
Accrued postretirement healthcare and other benefits	192,297	192,743	198,504
Other non-current liabilities	159,380	170,742	146,436
	-----	-----	-----
Total other liabilities	926,726	944,885	1,059,510
	-----	-----	-----
Total liabilities	2,142,095	2,236,336	2,137,806
	-----	-----	-----
Shareholders' equity (Note 7):			
Capital stock	205,852	205,852	102,933
Additional paid-in capital	19,998	-	42,888
Retained income	1,652,249	1,670,101	1,524,398
Accumulated other comprehensive income	(78,975)	(75,962)	(75,934)
	-----	-----	-----
Total shareholders' equity	1,799,124	1,799,991	1,594,285
	-----	-----	-----
Less - common stock in treasury-at cost	222,505	234,673	149,637
Unearned compensation on Restricted stock	17,747	13,510	16,086
	-----	-----	-----
Total shareholders' equity	1,558,872	1,551,808	1,428,562
	-----	-----	-----
	\$3,700,967	\$3,788,144	\$3,566,368
	=====	=====	=====

The McGraw-Hill Companies, Inc.

Consolidated Statement of Cash Flows

For The Three Months Ended March 31, 1999 and 1998

	1999	1998
	(In thousands)	
Cash flows from operating activities		
Net income	\$ 24,448	\$20,139
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	19,515	18,899
Amortization of goodwill and intangibles	13,227	13,473
Amortization of prepublication costs	20,125	19,234
Provision for losses on accounts receivable	10,033	21,509
Other	(1,546)	647
Changes in assets and liabilities net of effect of acquisitions and dispositions:		
Decrease in accounts receivable	166,161	146,520
Increase in inventories	(15,957)	(33,612)
Increase in prepaid and other current assets	(21,525)	(4,451)
Decrease in accounts payable and accrued expenses	(200,296)	(159,308)
Increase in unearned revenue	11,857	20,548
Increase in other current liabilities	3,947	11,214
(Decrease)/increase in interest and income taxes currently payable	(4,235)	2,278
(Decrease)/increase in prepaid/deferred income taxes	(176)	2,468
Net change in other assets and liabilities	(545)	(10,080)
Cash provided by operating activities	25,033	69,478
Investing activities		
Investment in prepublication costs	(27,026)	(26,292)
Purchases of property and equipment	(51,507)	(12,429)
Acquisition of businesses	-	(49)
Disposition of property, equipment and businesses	189	39
Cash used for investing activities	(78,344)	(38,731)
Financing activities		
Additions to/(repayments of) short-term debt - net	114,122	(2,421)
Dividends paid to shareholders	(42,300)	(38,595)
Exercise of stock options	7,563	9,072
Other	62	(1,000)
Cash provided by financing activities	79,447	(32,944)
Effect of exchange rate fluctuations on cash	(546)	(850)
Net change in cash and equivalents	25,590	(3,047)
Cash and equivalents at beginning of period	10,451	4,768
Cash and equivalents at end of period	\$36,041	\$ 1,721

The McGraw-Hill Companies, Inc.

Notes to Financial Statements

1. 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, 1999 and 1998 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, 1998.

On January 27, 1999, the Board of Directors declared a two-for-one stock split of the company's common stock which was distributed on March 8, 1999 to all shareholders of record on February 24, 1999. Accordingly, all references to common share data in the financial statements and notes have been restated to reflect the split.

Certain prior year amounts have been reclassified for comparability purposes.

2. The following table is a reconciliation of the company's net income to comprehensive income for the three month period ended March 31, 1999:

	1999	1998
	-----	-----
	(in thousands, except per-share data)	
Net income	\$ 24,448	\$ 20,139
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(3,013)	(1,687)
	-----	-----
Total other comprehensive income	(3,013)	(1,687)
	-----	-----
Comprehensive income	\$ 21,435	\$ 18,452
	=====	=====

3. The company has three reportable segments: Educational and Professional Publishing, Financial Services, and Information and Media Services. The educational and professional publishing segment provides education, training and lifetime learning textbooks and instructional materials for students and professionals. The financial services segment consists of Standard & Poor's operations, which provide financial information, ratings and analyses, enabling access to capital markets. The information and media services segment includes business and trade media offering information, insight and analysis.

Operating profit by segment is the primary basis for the chief operating decision maker of the company, the CEO Council, to evaluate the performance of each segment. A summary of operating results by segment for the three months ended March 31, 1999 and 1998 follows:

Notes to Financial Statements

	1999		1998	
	Operating Revenue	Operating Profit	Operating Revenue	Operating Profit
	(in thousands)			
Educational and Professional Publishing	\$208,983	\$(43,857)	\$208,357	\$(39,731)
Financial Services	308,444	94,322	281,504	83,039
Information and Media Services	199,044	15,415	213,559	17,509
Total operating segments	716,471	65,880	703,420	60,817
General corporate expense	-	(16,361)	-	(15,701)
Interest expense - net	-	(9,441)	-	(12,102)
Total company	\$716,471	\$ 40,078*	\$703,420	\$ 33,014*

*Income before taxes on income.

4. The allowance for doubtful accounts and sales returns, the components of inventory and the accumulated amortization of prepublication costs were as follows:

	March 31, 1999	Dec. 31, 1998	March 31, 1998
	(In thousands)		
Allowance for doubtful accounts	\$ 107,377	\$ 113,639	\$ 97,550
Allowance for sales returns	\$ 83,220	\$ 98,784	\$ 74,093
Inventories:			
Finished goods	\$ 241,897	\$ 235,341	\$ 257,154
Work-in-process	39,191	31,260	35,451
Paper and other materials	19,230	18,128	30,998
Total inventories	\$ 300,318	\$ 284,729	\$ 323,603
Accumulated amortization of prepublication costs	\$ 512,610	\$ 607,574	\$ 474,392

5. A subsidiary of J.J. Kenny Co. acts as an undisclosed agent in the purchase and sale of municipal securities for broker-dealers and dealer banks and the company had \$277.3 million of matched purchase and sale commitments at March 31, 1999. Only those transactions not closed at the settlement date are reflected in the balance sheet as receivables and payables.

The McGraw-Hill Companies, Inc.

Notes to Financial Statements

6. A summary of long-term debt follows:

	March 31, 1999	Dec. 31, 1998	March 31, 1998
	-----	-----	-----
	(In thousands)		
9.43% Notes due 2000	\$ 95,043	\$ 95,043	\$ 250,000
Commercial paper supported by bank revolving credit agreement	350,000	350,000	350,000
Other	6,782	7,054	6,901
	-----	-----	-----
Total long-term debt	\$ 451,825	\$ 452,097	\$ 606,901
	=====	=====	=====

7. Common shares reserved for issuance for conversions and stock based awards were as follows:

	March 31, 1999	Dec. 31, 1998	March 31, 1998
	-----	-----	-----
\$1.20 convertible preference stock at the rate of 13.2 shares for each share of preference stock	17,978	17,978	17,978
Stock based awards	17,081,129	18,015,440	19,606,162
	-----	-----	-----
	17,099,107	18,033,418	19,624,140
	=====	=====	=====

8. Cash dividends per share declared during the three months ended March 31, 1999 and 1998 were as follows:

	1999	1998
	----	----
Common stock	\$.215	\$.195
Preference stock	.300	.300

9. A reconciliation of the number of shares used for calculating basic earnings per common share and diluted earnings per common share for the three months ended March 31, 1999 and 1998 follows:

	1999	1998
	-----	-----
	(In thousands)	
Average number of common shares outstanding	196,847	197,778
Effect of stock options and other dilutive securities	2,483	1,804
	-----	-----
Average number of common shares outstanding including effect of dilutive securities	199,330	199,582
	=====	=====

Restricted performance shares outstanding at March 31, 1999 of 748,000 were not included in the computation of diluted earnings per common shares because the necessary vesting conditions have not yet been made.

10. In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The new standard is effective January 1, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities, requiring companies to recognize all derivatives as either assets or liabilities on their balance sheet and measuring them at fair value. The adoption of SFAS No. 133 will not have a material impact on the company's financial statement disclosures.

Management's Discussion and Analysis of Operating Results and Financial Condition

Operating Results - Comparing Three Months Ended March 31, 1999 and 1998

Consolidated Review

Operating revenue for the first quarter grew \$13.1 million, or 1.9%, over the prior year's first quarter to \$716.5 million. Excluding the impact of divesting the Information Technology and Communications Group in May 1998 and management's decision to wind down Continuing Education Center (CEC) effective January 1, 1999, revenue from ongoing operations increased 6.6%. The revenue increase reflects strong growth in Financial Services, particularly at Standard & Poor's Ratings Services, as well as from ongoing operations at Educational and Professional Publishing. Net income increased \$4.3 million, or 21.4%, to \$24.4 million and diluted earnings per share increased to 12 cents from 10 cents in the prior year's first quarter. The first quarter represents the company's smallest quarter due to the seasonal aspect of the company's educational publishing operations.

Total expenses in 1999 increased only 1.3% to \$671.5 million in the first quarter. The primary reason for this small increase was due to effective cost controls, the sale of the Information Technology and Communications Group in June 1998 and the decision to wind down CEC. Excluding the impact of the disposition and CEC's wind down, total expenses increased 6.6%.

Net interest expense decreased 22.0% to \$9.4 million from \$12.1 million in 1998. The primary reasons for the decrease are from lower long-term debt levels as a result of the company purchasing \$155 million of its 9.43% Notes in the third quarter of 1998 and a lower effective interest rate on outstanding debt. Although average commercial paper borrowings increased \$44.3 million from the prior year, the average interest rate on the borrowings decreased from 5.7% in 1998 to 5.1% in 1999.

The provision for taxes as a percent of income before taxes is 39%, the same as the first quarter in 1998.

Segment Review

Educational and Professional Publishing revenue increased marginally to \$209.0 million. Excluding CEC, revenue from ongoing operations was up 7.6%. Educational Publishing Group revenue increased due to strong results in our elementary-high school business in math, social studies, reading and music. Higher Education revenue experienced some softness in sales.

Professional Book Group revenue increased due to the growing popularity of computer and Internet-related subjects as well as business, scientific and medical titles. The titles that contributed to its success were How to Get Started in Electronic Day Trading and The Official Guide to Quicken. International revenue grew modestly due to improved results in Canada and Mexico, offset somewhat by softness in Europe and in the Asia-Pacific region. Due to the continuing decline in enrollments at CEC, the company will not pursue new business but will continue to honor existing contracts with students as it commences with the unit's teach-out. The teach-out of existing contracts will not have a material effect on future operating profits. The segment's seasonal operating loss increased \$4.1 million to \$43.9 million, reflecting increased spending in preparing for the segment's selling period and the teach-out provisions at CEC.

Financial Services' revenue increased 9.6%, or \$26.9 million, to \$308.4 million and operating profits climbed 13.6% to \$94.3 million. Standard & Poor's Ratings Services' revenue and operating profit increased despite a 1% decrease in new issue dollar volume in the U.S. bond market. The areas that contributed most to its revenue growth were corporate finance, structured finance, information services, European ratings and non-traditional products. Standard & Poor's Financial Information Services' revenue grew modestly due to strength in the retail brokerage market, led by S&P ComStock. Continued softness in the secondary municipal bond market resulted in flat revenue for J.J. Kenny. The company's index services continues to do well, recording higher licensing fees from institutional investors. S&P SPDR'S (S&P Depository Receipts) continue to grow in popularity. Assets in the large cap SPDR trust increased to \$11.9 billion as the average trading volume of these instruments increased to 7.5 million shares in the first quarter. Total assets managed in these SPDR Trusts and in 15 fee-generating portfolios exceeded \$20 billion at the end of the first quarter.

Information and Media Services' revenue declined \$14.5 million, or 6.8%, during the quarter. Excluding the impact of the sale of the Information Technology & Communications Group last year, revenues increased slightly. Segment operating profit declined \$2.1 million, or 12.0%, for the quarter. Revenues and operating profits at Business Week increased, despite one less issue being published this year versus last year. Advertising pages increased 11.4% during the quarter, according to Publishers Information Bureau. Construction Information Group revenue increased due to the strength of the electronic products offered, particularly at F.W. Dodge and Sweet's. Startup expenditures at F.W. Dodge for the rollout of its new product, Dodge Plans, decreased operating profit. Broadcasting's operating profit continues to improve, despite flat revenues, due to effective cost controls. Publication Services' revenue and operating profit declined due to weakness in the healthcare, energy and aviation industries. Tower Group International had a modest gain in revenues, but expenses for opening new offices and lower gross margins resulted in an operating loss.

Financial Condition

The company continues to maintain a strong financial position. Cash provided by operating activities in the first quarter totaled \$25.0 million compared to \$69.5 million provided in the prior year. Total debt increased \$113.3 million since year-end, reflecting seasonal spending by the company for inventory and prepublication costs, dividend payments and costs related to the consolidation of office space in New York City. The company's strong presence in school and higher education significantly impacts the seasonality of its earnings and borrowing patterns during the year, with the company borrowing during the first half of the year and generating cash in the second half of the year, primarily in the fourth quarter.

Commercial paper borrowings at March 31, 1999 totaled \$511.8 million, an increase of \$139.9 million from December 31, 1998. Commercial paper borrowings have increased in part from the company's early extinguishment of \$155 million of its 9.43% Notes in the third quarter of 1998. Commercial paper is supported by a \$800 million revolving credit agreement with a group of banks terminating in February 2002, and \$350 million has been classified as long term. There are no amounts outstanding under this agreement.

\$95 million of 9.43% Notes, due in the year 2000, remain outstanding. Under a shelf registration that became effective with the Securities and Exchange Commission in 1990, the company can issue an additional \$300 million of debt securities. The new debt could be used to replace a portion of the commercial paper borrowings with longer-term securities when management has determined that interest rates are attractive and markets are favorable.

Accounts receivable before reserves of \$964.3 million decreased \$198.5 million from the end of 1998 primarily from the impact of the seasonality of the educational publishing business. Inventories increased \$15.6 million from the end of 1998 to \$300.3 million as the company prepares itself for school publishing adoptions later this year.

Net prepublication costs increased \$7.5 million from the end of 1998 to \$365.9 million due to spending for school publishing programs, higher education and professional publishing titles. Prepublication cost spending in the first quarter totaled \$27.0 million, an increase of \$0.7 million over last year's first quarter spending. Spending is expected to increase over the remainder of the year. Purchases of property and equipment were \$51.5 million, \$39.1 million higher than the prior year. The majority of the increase can be attributed to the ongoing move by Standard & Poor's to its new location at 55 Water Street as part of the company's plan to consolidate office space in New York City. However, spending will decrease from the prior year as the consolidation of office space starts to wind down.

In January 1999, the Board of Directors declared a two-for-one stock split of the company's common stock that was distributed to shareholders on March 8, 1999. The Board of Directors also approved a 10.3% increase in the regular quarterly dividend on the company's common stock from \$.195 to \$.215 per common share. The Board of Directors also authorized a stock repurchase program of up to 15 million shares of outstanding shares. The repurchased shares will be used for general corporate purposes, including the issuance of shares for 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 dependent on market conditions. Only 5,000 shares have been repurchased under this program as of the filing date of this document.

Year 2000 Issue

Computer software and certain embedded systems that use two digits rather than four to identify the applicable year may be unable to interpret appropriately the calendar year 2000, and thus could potentially disrupt normal business activities. The Year 2000 issue affects virtually all companies and organizations, including vendors, suppliers, customers and other third parties that interface with the company.

The company uses software and data in various aspects of its business, including its products, product development, product support and many administrative functions such as billing and receiving information and merchandise from suppliers. As of December 31, 1998, the company had substantially completed an inventory of its technology environment, including non-information technology systems, with special emphasis placed on the company's key information processes. Plans have been developed to remediate or replace, and to test systems at each operating unit to achieve Year 2000 readiness, as appropriate.

The company has hired outside vendors to assist the operating units in implementing and/or remediating computer systems to be Year 2000 ready and to assist in testing. Each of the company's operating units has designated a leader responsible for overseeing and coordinating the day-to-day process to become Year 2000 ready.

As of March 31, 1999 we estimate that 96% of the company's applications have been remediated or replaced, with the remaining 4% to be completed in the 2nd quarter. Approximately 77% of the applications have been tested and are Year 2000 ready. The company has targeted July 1999 as the expected date that all computer systems and technology vital to each operating unit's profitability and functionality, including non-information technology, will have been tested and will be Year 2000 ready. Contingency plans have been developed for those systems that may not meet the July 1999 date. As of the filing date of this document, there have been no material setbacks in meeting the target dates and the company does not believe that there will be a major break in service due to the Year 2000 issue.

The company is communicating with third parties, including its key vendors, redistributors and customers, to determine their plans to address the Year 2000 issue. The company is taking the following steps to determine if key third parties are addressing the Year 2000 issue: (1) identifying and documenting all third parties related to the company's vital information systems or critical business processes; (2) sending letters asking them to detail the steps they are taking to become Year 2000 ready; and (3) based on the responses, meeting with selected vendors and establishing follow-up time schedules to evaluate progress on the issue.

Standard & Poor's (S&P) Financial Services' groups have been responding to the Securities Industry Association's (SIA) inquiries on the securities industry's readiness. As a part of this inquiry, the S&P Financial Services' groups have provided SIA with the appropriate documents, including an overview of Year 2000 projects, the techniques used to make their products Year 2000 ready, results of tests, methods of updating databases and critical third party product dependencies. These responses are being updated periodically.

Although the company expects a positive resolution to these issues, due to the unique and pervasive nature of the Year 2000 issue, it is difficult at this time to ascertain the financial impact to the company if the company experiences unanticipated problems related to the Year 2000 issue. The following describes the company's most reasonably likely worst case scenario, while recognizing the uncertainties inherent in a global problem that could potentially affect any business. Material systems failures resulting from the Year 2000 problem have the potential to adversely affect the company's operations and financial systems. Material failures could affect, by way of example, billing systems, collections, payroll, ordering, processing of financial records and access to facilities. The company's business segments could face additional operational problems in the event of a material systems or vendor failure, such as by way of example, an inability to fulfill book orders on a timely basis, a disruption in the company's ability to provide real time financial information or a disruption in our periodicals publishing schedule.

The company is also reviewing its business continuity plans that cover current worldwide operations and is preparing to devote appropriate internal and external resources in the event of an unforeseen or unanticipated Year 2000 readiness issue arising on or after January 1, 2000, including those related to third party dependencies, such as power outages, telecommunications failures or vendor failures. For example, as part of the planning process for the December 31, 1999 weekend, the company is making arrangements to: staff a Crisis Center at the company's Hightstown, NJ facilities with senior executives; station key facilities, security and information technology personnel at locations worldwide; and to have a major component of our information technology personnel at their work stations over that weekend and continuing as long thereafter as required.

The cost to assess, remediate and test systems that will not be replaced will approximate \$19 million between 1998 and 2000; approximately \$12.2 million has been spent through March 31, 1999, to remediate these systems. Certain systems that are not Year 2000 ready are being replaced as part of ongoing system development projects.

Euro Conversion

On January 1, 1999, certain member nations of the European Economic and Monetary Union ("EMU") adopted a common currency, the Euro. For a three and a half-year transition period, non-cash transactions may be denominated in either the Euro or in the old national currencies. After July 1, 2002, the Euro will be the sole legal tender for EMU countries. The adoption of the Euro will affect a multitude of financial systems and business applications as the commerce of these nations will be transacted in the Euro and the existing national currency. For the year ended December 31, 1998, and for the period ended March 31, 1999, approximately 5 percent of the company's revenues were derived from EMU countries.

The company continues to address Euro related issues and its impact on information systems, currency exchange rate risk, taxation, contracts, competition and pricing. Action plans currently being implemented are expected to be in compliance with all laws and regulations; however, there can be no certainty that external factors will not have an adverse effect on the Company's operations. Any costs associated with the adoption of the Euro will be expensed as incurred and the company does not expect these costs to be material to its results of operations, financial condition or liquidity.

"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 business, new products, sales, expenses, cash flows, and operating and capital requirements. Such forward-looking statements include, but are not limited to: the strength of profit levels at Standard & Poor's Rating's Services; the level of capital expenditures, cash flow, debt levels and prepublication cost spending; the Educational and Professional Publishing Group's level of success in state adoptions; the level of success of new product development and resolution of Year 2000 and Euro conversion issues.

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 on various important factors, including but not limited to: worldwide economic and political conditions, the health of capital and equity markets, currency and foreign exchange volatility, continued state and local funding for educational matters, the successful marketing of new products, the effect of competitive products and pricing.

Part II

Other Information

Item 1. Legal Proceedings County of Orange v. McGraw-Hill Companies, Inc.

In previous filings, Registrant reported that a Complaint was filed on June 11, 1996 in the United States Bankruptcy Court, Central District of California, in an action captioned County of Orange v. McGraw-Hill Companies, Inc., d/b/a Standard & Poor's (Case No. SA 94-222-72-JR; Adversary No. SA 96-01624-JR). The Complaint alleged that Standard & Poor's breached its contracts with Orange County, was professionally negligent and aided and abetted the County's officers in breaching their fiduciary duty by, inter alia, assigning unduly high ratings to debt instruments issued by the County and by failing to advise the County's Board of Supervisors of the illegal acts being committed by the County's officers. The action was transferred to the United States District Court for the Central District of California (Case No. SA CV 96-765-GLT) upon the filing in December 1996 of the Bankruptcy Court's ruling on Registrant's motion to dismiss the Complaint. In that ruling, the Bankruptcy Court granted Registrant's motion to dismiss the County's aiding and abetting claim, but denied it as to the breach of contract and professional negligence claims. Registrant appealed this decision to the District Court which, in March 1997, dismissed the County's professional negligence claim, with leave to amend. In April 1997, the County filed an Amended Complaint for breach of contract and "professional malpractice" and added a claim for punitive damages. The Registrant filed a motion to dismiss the "professional malpractice" claim, which motion was denied by the District Court in June 1997. In February 1998, Registrant moved again to dismiss the County's "professional malpractice" claim, which motion was denied by the District Court in March 1998. In September 1998, Registrant filed two motions for partial summary judgment, one to preclude the County from claiming damages with respect to Standard & Poor's 1993 ratings of County debt ("1993 Motion") and one to preclude the County from claiming damages on behalf of the so-called Pool Participants ("Pool Participants' Motion"). In October 1998, the Court denied Registrant's 1993 Motion and granted in part and denied in part Registrant's Pool Participants' Motion, holding that the County could not assert claims on behalf of the Pool Participants with respect to Standard & Poor's rating of Pool Participants' debt but could assert claims on behalf of Pool Participants with respect to Standard & Poor's rating of County debt. In December 1998, Registrant filed a motion for summary judgment on the grounds the County's contract and "professional malpractice" claims are barred by applicable California law and the parties' contracts. In December 1998, the County filed a motion seeking reconsideration of prior rulings dismissing claims against Registrant for aiding and abetting the County's officers in breaching such officers' fiduciary duty and seeking leave to file an amended complaint. In February 1999, the Court granted in part Registrant's motion for summary judgment based on applicable California law and the parties' contracts, dismissing any claim by the County that Standard & Poor's provided financial advice to the County separate from the ratings; otherwise, the Court denied Registrant's motion, holding there is a triable issue of fact concerning whether Standard & Poor's breached its duty as a rating agency. In March 1999, the Court, holding that the First Amendment applies to the County's contract and tort claims, granted in part Registrant's motion for summary judgment and dismissed the County's contract and tort claims with respect to Standard & Poor's 1993 ratings. The Court found there is a triable issue of fact with respect to Standard & Poor's 1994 ratings. In April 1999, the Court certified the March 1999 order for an interlocutory appeal to the

United States Court of Appeals for the Ninth Circuit. Extensive discovery has been conducted. The trial date, previously scheduled to commence on March 2, 1999, was adjourned by the Court pending a decision by the California Supreme Court in the City of Atascadero v. Merrill Lynch litigation concerning the issue of aiding and abetting a breach of fiduciary duty. In May 1999, the Court granted the County's request to amend the Complaint to include a claim for aiding and abetting a breach of fiduciary duty. In response to Registrant's interrogatories, the County has claimed (inconsistently with damages claims made by the County in other litigation documents) compensatory damages of approximately \$2.1 billion, subject to certain offsets. The Court's dismissal of the County's claims for Standard & Poor's 1993 ratings should significantly reduce the County's damages claims. The County has also claimed unspecified punitive damages. Registrant continues to believe that the allegations of the complaint and the damages claims lack merit and is vigorously contesting the action.

Item 6. Exhibits and Reports on Form 8-K -----	Page Number -----
(a) Exhibits	
(3) By-laws (as amended to date)	19-29
(12) Computation of ratio of earnings to fixed charges	30
(27) Financial data schedule	31
(b) Reports on Form 8-K	
No reports were filed during the period covered by this report	

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: -----

By -----

Robert J. Bahash
Executive Vice President
and Chief Financial Officer

Date: -----

By -----

Kenneth M. Vittor
Executive Vice President
and General Counsel

Exhibit (3)
THE McGRAW-HILL COMPANIES, INC.

BY-LAWS

(As amended April 28, 1999)

ARTICLE I
STOCKHOLDERS

1. A meeting of the stockholders shall be held annually, wheresoever designated by the Board of Directors on the last Wednesday in April of each year or on such other date as a resolution of the Board of Directors may designate, for the purpose of electing directors, hearing the reports of officers and directors, and for the transaction of such other business required or authorized to be transacted by the stockholders. Any previously scheduled annual or special meeting of stockholders may be postponed by resolution of the Board of Directors, upon public notice given prior to the date scheduled for such meeting.
2. Unless waived in writing by all stockholders, notice of the time, place and object of such meeting shall be given by mailing, at least ten days previous to such meeting, postage prepaid, a copy of such notice, addressed to each stockholder at his address as the same appears on the books of the Company.
3. Special meetings of stockholders for whatsoever purpose shall be held at the principal office of the Company or at such other place as may be designated by a resolution of the Board of Directors and may only be called pursuant to a resolution approved by a majority of the Board of Directors.
4. Notice of each special meeting, except where otherwise expressly provided by statute, and unless waived in writing by every stockholder entitled to vote, stating the time, place and in general terms the purpose or purposes thereof, shall be mailed not less than thirty nor more than fifty days prior to the meeting to each stockholder at his address as the same appears on the books of the Company.
5. At a meeting of stockholders the holders of a majority of the shares entitled to vote, being present in person or represented by proxy, shall be a quorum for all purposes, except where otherwise provided by statute or by the certificate of incorporation.
6. If at any meeting a quorum shall fail to attend in person or by proxy, a majority in interest of stockholders entitled to vote present or represented by proxy at such meeting may adjourn the meeting from time to time without further notice until a quorum shall attend and thereupon any business may be transacted which might have been transacted at the meeting as originally called had the same been then held. The Chairman of a meeting of stockholders may adjourn such meeting from time to time, whether or not there is a quorum of stockholders at such meeting.
7. The Chairman of the Board, and in his absence the President, and in his absence a Chairman appointed by the Board of Directors, shall call meetings of the stockholders to order and shall act as Chairman thereof.

8. The Secretary of the Company shall act as Secretary at all meetings of the stockholders and in his absence the Chairman of the meeting may appoint any person to act as Secretary.

9. At each meeting of stockholders every stockholder entitled to vote may vote in person or by proxy, and shall have one vote for each share of stock registered in his name. The Board of Directors may fix a day not more than fifty days prior to the day of holding any meeting of the stockholders as the day as of which stockholders entitled to notice of and to vote at such meeting shall be determined, and all persons who shall be holders of record of voting stock at such time and no other shall be entitled to notice of and to vote at such meeting.

10. At all elections of directors the polls shall be opened and closed, the proxies shall be received and taken in charge and all ballots shall be received and counted by two inspectors who shall be appointed by the Board. If any inspector shall fail to attend or refuse to act, the vacancy may be filled at the meeting by the Chairman of the meeting. No candidate for election as director shall be appointed an inspector.

11. The inspectors shall, before entering upon the discharge of their duties, be sworn to faithfully execute the duties of inspector at such meeting with strict impartiality and according to the best of their ability.

ARTICLE I-A
Nomination of Directors and Presentation
of Business at Stockholder Meetings

1. Nominations of persons for election to the Board of Directors of the Company and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Company's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Company who was a stockholder of record at the time of giving of notice provided for in this Article I-A, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Article I-A.

2. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 1 of this Article I-A, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Company not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as provided above. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation

14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) the name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner and (b) the class and number of shares of the Company which are owned beneficially and of record by such stockholder and such beneficial owner.

Notwithstanding anything in the second sentence of this Section 2 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Company is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Company at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Company not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company.

3. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Company's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Company's notice of meeting (A) by or at the direction of the Board of Directors or (B) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Company who is a stockholder of record at the time of giving of notice provided for in this Article I-A, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Article I-A. In the event the Company calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Company's notice of meeting, if the stockholder's notice required by Section 2 of this Article I-A shall be delivered to the Secretary at the principal executive offices of the Company not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as provided above.

4. Only such persons who are nominated in accordance with the procedures set forth in this Article I-A shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Article I-A. The Chairman of the meeting of stockholders shall have the power and duty to determine whether a

nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Article I-A and, if any proposed nomination or business is not in compliance with this Article I-A, to declare that such defective nominations or proposal shall be disregarded.

5. For purposes of this Article I-A, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

6. Notwithstanding the foregoing provisions of this Article I-A, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Article I-A. Nothing in this Article I-A shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE II **Board of Directors**

1. The business and affairs of the corporation shall be managed under the direction of the Board of Directors. Unless and until changed as provided in this Section 1 of this Article II, the number of directors constituting the Board of Directors shall be twelve (12). The Board of Directors shall have power from time to time and at any time, by vote of a majority of the total number of directors which the corporation would have if there were no vacancies on the Board, to increase or reduce the number of directors constituting the Board of Directors to such number (subject to any limits contained in the certificate of incorporation) as the Board of Directors shall determine, but in no event to less than twelve (12) or more than twenty-five (25). Subject to the express terms and conditions of the certificate of incorporation and these By-Laws, the directors shall have the usual and customary powers and duties of directors of a corporation; also any and all powers given and permitted by law; and also power to exercise any and all powers of the corporation, and to do any and all acts without any prior action taken or consent given by the stockholders, unless required by law, or the certificate of incorporation, or by these By-Laws; the directors may exercise all powers, and do all acts and things which are not, by statute or by the certificate of incorporation or these By-Laws, expressly directed or required to be exercised or done by the stockholders.

2. Without prejudice to the general powers conferred by the last preceding section, and the other powers conferred by the certificate of incorporation and by these By-Laws, it is hereby expressly declared that the Board of Directors shall have the following powers, that is to say:

FIRST:

From time to time to make and change rules and regulations, not inconsistent with these By-Laws, for the management of the Company's business and affairs.

SECOND:

To purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorized to acquire, at such price and on such terms and conditions, and for such consideration, as they shall, from time to time, see fit.

THIRD:

At their discretion to pay for any property or rights acquired by the Company, either wholly or partly, in money or in stocks, bonds, debentures or other securities of the Company.

FOURTH:

To appoint and at their discretion remove or suspend such subordinate officers, agents or servants, permanently or temporarily, as they may, from time to time, think fit, and to determine their duties, and fix, and, from time to time, change their salaries or emoluments, and to require security in such instance and in such amounts as they think fit.

FIFTH:

To confer by resolution upon any elected or appointed officer of the Company the power to choose, remove or suspend subordinate officers, agents or servants.

SIXTH:

To appoint any person or persons to accept and hold in trust for the Company any property belonging to the Company, or in which it is interested, or for any other purpose, and to execute and do all such duties and things as may be requisite in relation to any such trust.

SEVENTH:

To determine who shall be authorized on the Company's behalf, to sign bills, notes, receipts, acceptances, endorsements, checks, releases, contracts and documents.

EIGHTH:

From time to time to provide for the management of the affairs of the Company, at home or abroad, in such manner as they see fit, and in particular, from time to time, to delegate any of the powers of the Board of Directors in the course of the current business of the Company, to any special or standing committee or to any officer or agent, and to appoint any persons to be the agents of the Company, with such powers (including the power to sub-delegate), and upon such terms, as may be thought fit.

NINTH:

To appoint an Executive Committee of three or more directors and such other persons as may be added thereto by specific resolution of the Board, who may meet at stated times, or on notice to all by any of their own number; who shall generally perform such duties and exercise such powers as may be directed or delegated by the Board of Directors from time to time. The Board may delegate to such Committee authority to exercise the powers of the Board while the Board is not in session, except as otherwise provided by law. The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

3. Each director shall serve for the term for which he shall be elected and until his successor shall be chosen and shall accept his election, but any director may resign at any time.
4. The directors may hold their meetings and may have an office and keep the books of the Company at such place or places as the Board from time to time may determine.
5. A regular meeting of the Board of Directors shall be held each year, either immediately following adjournment of the Annual Meeting of Stockholders or at such other time as may be fixed by the Chairman of the Board or the President but on a date no later than 60 days following the adjournment of the Annual Meeting of Stockholders, for the purpose of electing officers, a Chairman of the Board, members of the Executive Committee, members of the other committees of the Board, and to organize the Board for the ensuing year. Regular meetings of the Board of Directors shall also be held monthly at such time and place as may be fixed by the Chairman of the Board, or the President. Notice shall be given to each director of the date of each regular meeting by the Secretary in the same manner as provided in Article II, Section 7, of these By-Laws for notice of special meetings of directors.
6. Special meetings of the Board shall be held whenever called by the Chairman, or by the President, or by the Secretary upon receiving the written request of a majority of the directors of the Board then in office. If so specified in the notice thereof, any and all business may be transacted by a special meeting.
7. The Secretary shall give notice to each director of each special meeting by mailing the same, at least two days before the meeting, or by telegraphing or telephoning not later than the day before the meeting. If every director shall be present at any meeting any business may be transacted without previous notice.
8. The Chairman of the Board when present shall preside at all meetings of the Board of Directors and at all meetings of the stockholders. He shall perform all duties incident to the office of the Chairman of the Board.
9. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business, except where otherwise provided by statute or by the certificate of incorporation or by these By-Laws, and a majority of those present at the time and place of any regular or special meeting may adjourn the same from time to time without notice.
10. Any one or more members of the Board may participate in a meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

ARTICLE III
Committees

1. The Board may appoint such committees, as it may deem advisable. Committees so appointed shall have such powers and duties as may be specified in the resolution of appointment.
2. Each committee shall keep regular minutes of its proceedings and report the same to the Board when required.
3. Any one or more members of any such committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.
4. Any action required or permitted to be taken at any meeting of any committee may be taken without a meeting, if all members of the committee consent in writing to the adoption of a resolution authorizing the action and if the resolution and the written consent thereto are filed with the proceedings of the committee.

ARTICLE IV
Officers

1. The elective officers of the Corporation other than directors shall be a President and Chief Executive Officer, one or more Vice-Presidents, a Secretary and a Treasurer. Any two of the aforesaid offices may be filled by the same person, except the offices of President and Secretary. For purposes of these By-Laws the office of Vice-President also may include one or more Executive Vice-Presidents and one or more Senior Vice-Presidents. The term of office of each of said officers shall continue until the next annual election of directors and the selection of his successor by the Board of Directors. Any officer may, at any time, with or without cause, be suspended or removed from office by the affirmative vote of a majority of the entire Board at a meeting thereof. The President and Chief Executive Officer shall be chosen from among the directors.
2. The President and Chief Executive Officer of the Corporation shall be responsible for the general and active supervision and direction of the business, policies and activities of the Corporation, subject to the control of the Board of Directors. He may execute on behalf of the Corporation all authorized deeds, bonds, mortgages, contracts, documents and papers and may affix thereto the corporate seal when required. He shall have power to sign debentures and certificates of stock of the Corporation. He shall also have such duties as the Board may from time to time determine or as may be prescribed by these By-Laws. He shall be responsible for seeing that the orders and resolutions of the Board are carried into effect.

3. If the office of the Chairman of the Board shall be vacant, or if the person holding that office shall be absent, the President shall preside at meetings of stockholders and of the Board of Directors.
4. In the absence or inability to act of both the Chairman and the President, the Board may designate any director or senior corporate officer to perform the duties of temporary Chairman which shall include presiding at meetings of stockholders and of the Board of Directors.
5. The Board may elect or appoint one or more Vice-Presidents. Each Vice-President shall have such powers and shall perform such duties as may be assigned to him by the Board or by the President. In case of the absence or disability of the President the duties of that office shall be performed by whomever the Board shall determine by resolution.
6. The Secretary shall be sworn to the faithful discharge of his duties; he shall attend all meetings of the directors and stockholders, and shall record all the proceedings of such meetings in a book to be kept for that purpose, and shall perform like duties for standing committees when required. He shall have charge of the giving of notice of meetings of stockholders and directors, and perform all the duties assigned to him by the Board of Directors, or usual for the Secretary of a Corporation to perform. He, or the Treasurer shall, with the Chairman or President sign all debentures and stock certificates of the Company.
7. The Treasurer shall keep or cause to be kept full and true books of account and records of all receipts and disbursements, property, assets and liabilities of the Corporation, in books belonging to the Company, and shall deposit all moneys, securities, and valuables of the Corporation in the name of and to the credit of the Corporation, in such depositories as shall be designated by the Board of Directors. He shall disburse funds of the Company as ordered by the Board, taking proper vouchers therefor and shall render to the President and the Board of Directors, at regular meetings or whenever required, an account of all financial transactions of the Company. He shall also have power to sign debentures and certificates of stock of the Company, checks, notes, bills of exchange or other negotiable instruments for and in the name of the Company. He shall perform all other duties incident to the position of Treasurer, subject to the control of the Board.
8. The Board of Directors shall have power to appoint one or more Assistant Treasurers, Assistant Secretaries, Controller or Assistant Controllers who shall have such powers and perform such duties as may be designated by the Board.
9. The amount of salaries, wages, or other compensation to be paid to the officers, employees and agents of the Company shall be determined from time to time by the Board or by an Executive Officer or Committee to whom this work shall be delegated. No officer shall be incapacitated to receive a regular salary or fixed compensation by reason of being a director of the Corporation.

ARTICLE IV-A

1. Bank Accounts, Deposits, Checks, Drafts and Orders Issued in the Company's Name. Any two of the following officers: the President, any Vice-President, and the Treasurer, Secretary or Controller may from time to time (1) open and keep in the name and on behalf of the Company, with such banks, trust companies or other depositories as they may designate, general and special bank accounts for the funds of the Company, and (2) terminate any such bank accounts. Any such action by two of the officers as specified above shall be made by an instrument in writing signed by such two officers and filed with the Secretary. A copy of such instrument, certified by the Secretary or an Assistant Secretary, shall be evidence to all concerned that the designations or terminations therein contained are duly authorized on behalf of the Company at the time of the certification.

All funds and securities of the Company shall be deposited in such banks, trust companies or other depositories as are designated by the Board of Directors or by the aforesaid officers in the manner hereinabove provided, and for the purpose of such deposits, the President, any Vice-President, the Secretary, the Controller, the Treasurer or an Assistant Treasurer, and each of them, or any other person or persons authorized by the Board of Directors, may endorse, assign and deliver checks, notes, drafts, and other orders for the payment of money which are payable to the Company.

All checks, drafts, or orders for the payment of money, drawn in the name of the Company, may be signed by the President, any Vice-President, the Secretary, the Treasurer or any Assistant Treasurer, or by any other officer or any employee of the Company who shall from time to time be designated to sign checks, drafts, or orders on all accounts or on any specific account of the Company by an "instrument of designation" signed by any two of the following officers: the President, any Vice-President, and the Treasurer, and filed with the Secretary. The Secretary or any Assistant Secretary shall make certified copies of such instruments of designation and such certified copies shall be evidence to all concerned of the authority of the persons designated therein at the time of the certification. An instrument of designation may provide for (1) the facsimile signature of any person authorized to sign by such instrument or by this Section, or (2) the revocation of authority of any person (other than an officer named in this Section) to sign checks, drafts or orders drawn in the name of the Company.

ARTICLE IV-B **Indemnification**

1. Any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that such person or such person's testator or intestate is or was a director, officer or employee of the Corporation or serves or served any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity at the request of the Corporation shall be indemnified by the Corporation, and the Corporation may advance such person's related expenses, to the full extent permitted by law.

For purposes of this section, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was serving at the request of such constituent corporation any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity at the request of the Corporation, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE V **Capital Stock**

1. The instruments of debentures, certificate of shares of the preferred, preference and common capital stock of the Company shall be in such form as shall be approved by the Board of Directors. The certificates shall be signed by the Chairman of the Board or the President and also by the Secretary or the Treasurer. The seal of the Corporation shall be affixed to all certificates. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. Notwithstanding the foregoing provisions regarding share certificates or any other provisions of this Article V, officers of the Corporation may provide that some or all of any or all classes or series of the Corporation's capital stock may be uncertificated shares.

2. All certificates shall be consecutively numbered, and the names of the owners, the number of shares and the date of issue, shall be entered in the Company's books.

3. The Company or its duly authorized stock transfer agent shall keep a book to be known as the stock book, containing the names, alphabetically arranged, of all persons who are stockholders of the Corporation, showing their places of residence, the number of shares of preferred, preference and common stock held by each respectively, and the time when each became the owner thereof, also entries showing from and to whom such shares shall be transferred, and the number and denomination of all revenue stamps used to evidence the payment of the stock transfer tax as required by the laws of the State of New York, which books shall be open daily, during usual business hours, for inspection by any person who shall have been a stockholder of record in such Corporation for a least six months immediately preceding his demand; or by any person holding or thereunto in writing authorized by the holders of at least five per centum of any class of its outstanding shares, upon at least five days written demand. Persons so entitled to inspect stock books may make extracts therefrom.

4. Shares shall be transferred only on the books of the Corporation by the holder thereof in person or by his attorney upon the surrender and cancellation of certificates for a like number of shares, and upon tender of stock transfer stamps or the equivalent in money sufficient to satisfy

all legal requirements.

5. The Board may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock of the Company.

6. Certificates for shares of stock or for debentures in the Corporation may be issued in lieu of certificates alleged to have been lost, stolen, destroyed, mutilated, or abandoned, upon the receipt of (1) such evidence of loss, theft, destruction or mutilation and a bond of indemnity in such amount, upon such terms and with such surety, if any, as the Board of Directors may require in each specific case, or (2) a request by an appropriate governmental agency or representative for the reissuance of a stock certificate claimed to be abandoned or escheated in accordance with the abandoned property or similar law of the state, or (3) in accordance with general resolutions.

ARTICLE VI

Seal

1. The Board shall provide a suitable seal, containing the name of the Corporation, the year of its creation, and the words "Corporate Seal, N.Y." or other appropriate words, which seal shall be in charge of the Secretary, to be used as directed by the Board.

ARTICLE VII

Fiscal Year

1. The fiscal year of the Corporation shall begin the first business day in January.

ARTICLE VIII

Notice and Waiver of Notice

1. Any notice required to be given by these By-Laws may be given by mailing the same addressed to the person entitled thereto at his address as shown on the Company's books, and such notice shall be deemed to be given at the time of such mailing.

2. Any stockholder, director or officer may waive any notice required to be given by these By-Laws.

ARTICLE IX

Amendments

1. Subject to the terms and conditions of the certificate of incorporation, the Board of Directors shall have power to make, amend, and repeal the By-Laws of the corporation, by a vote of the majority of all the directors present at any regular or special meeting of the Board, provided a quorum is in attendance and provided further that notice of intention to make, amend or repeal the By-Laws in whole or in part at such meeting shall have been previously given to each member of the Board.

The McGraw-Hill Companies, Inc.

Computation of Ratio of Earnings to Fixed Charges

Periods Ended March 31, 1999

	Three Months	Twelve Months
	-----	-----
	(In thousands)	
Earnings		
Earnings from continuing operations		
Before income tax expense and extraordinary item (Note)	\$ 40,078	\$ 551,029
Fixed charges	19,483	79,721
	-----	-----
Total Earnings	\$ 59,561	\$ 630,750
	=====	=====
Fixed Charges (Note)		
Interest expense	\$ 9,441	\$ 48,185
Portion of rental payments deemed to be interest	10,042	31,536
	-----	-----
Total Fixed Charges	\$19,483	\$ 79,721
	=====	=====
Ratio of Earnings to Fixed Charges	3.1x	7.9x

(Note) For purposes of computing the ratio of earnings to fixed charges, "earnings from continuing operations before income taxes" excludes undistributed equity in income of less than 50%-owned companies. "Fixed charges" consist of (1) interest on debt, and (2) the portion of the company's rental expense deemed representative of the interest factor in rental expense.

Earnings from continuing operations before income taxes for the twelve month period ended March 31, 1999 includes a \$26.7 million gain on the sale of a building at 65 Broadway and a \$16.0 million charge for the write-down of assets at the Continuing Education Center, recorded in 1998.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD END	MAR 31 1999
CASH	36,041
SECURITIES	0
RECEIVABLES	964,264
ALLOWANCES	190,597
INVENTORY	300,318
CURRENT ASSETS	1,317,425
PP&E	962,471
DEPRECIATION	568,103
TOTAL ASSETS	3,700,967
CURRENT LIABILITIES	1,215,369
BONDS	0
PREFERRED MANDATORY	14
PREFERRED	0
COMMON	205,838
OTHER SE	0
TOTAL LIABILITY AND EQUITY	3,700,967
SALES	716,471
TOTAL REVENUES	716,471
CGS	671,538
TOTAL COSTS	671,538
OTHER EXPENSES	0
LOSS PROVISION	10,033
INTEREST EXPENSE	9,441
INCOME PRETAX	40,078
INCOME TAX	15,630
INCOME CONTINUING	24,448
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	24,448
EPS PRIMARY	0.12 ¹
EPS DILUTED	0.12 ²

End of Filing

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