UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

CLAUDE A. REESE, 1900 Point View St., Los Angeles, California 90034, Individually and on Behalf of all Others Similarly Situated, Plaintiff, v. ROBERT J. BAHASH,1221 Avenue Of The Americas, New York, New York 10020, Defendant.	No. COMPLAINT FOR BREACH OF FIDUCIARY DUTY **JURY TRIAL DEMANDED**

Plaintiff, Claude A. Reese ("Plaintiff"), by his undersigned counsel, alleges the following upon personal knowledge as to Plaintiff and Plaintiff's own acts, and upon information and belief based upon the investigation of Plaintiff's attorneys as to all other matters. The investigation includes the thorough review and analysis of public statements, publicly filed documents of The McGraw-Hill Companies, Inc. ("McGraw-Hill" or the "Company"), press releases, news articles and other information readily available on the Internet. Plaintiff believes that further substantial evidentiary support will exist for the allegations set forth below after a reasonable opportunity for discovery.

SUMMARY OF ACTION

1. Plaintiff brings this action individually and on behalf of a class (the "Class") of all purchasers of the common stock of McGraw-Hill between July 25, 2006 and August 15, 2007, inclusive (the "Class Period"), seeking to pursue remedies for defendant's breaches of fiduciary duty as a result of defendant's false and misleading statements and/or omissions during the Class Period..

2. Furthermore, Plaintiff brings this action to pursue remedies under the Securities

Exchange Act of 1934 (the "Exchange Act"), for defendant's violations of federal securities laws.

3. The McGraw-Hill Companies, Inc. provides information services and products to the education, financial services, and business information markets worldwide. The Company's McGraw-Hill Financial Services segment, operating under the Standard & Poor's brand, provides independent credit ratings covering corporate and government entities, infrastructure projects, and structured finance transactions; data and information services offering financial information on companies, securities, and indices; equity research; portfolio services developing global indices and investable products; and risk management and credit risk training.

4. Among other things, Standard & Poor's assigns ratings to mortgage bonds comprising risky "subprime" home loans, including bonds packaged as "collateralized debt obligations" and other securities backed by subprime assets. Investors rely on these ratings to assess the value and risk of these investments. While the nation's housing market was booming, McGraw-Hill reaped millions of dollars in fees for its Standard & Poor's subsidiary assigning ratings to subprime-mortgage-backed securities.

5. Throughout the Class Period, the Defendant misrepresented or failed to disclose that Standard & Poor's assigned excessively high ratings to bonds backed by risky subprime mortgages – including bonds packaged as collateralized debt obligations – which was materially misleading to investors concerning the quality and relative risk of these investments. Moreover, even as a downturn in the housing market caused rising delinquencies of the subprime mortgages underlying such bonds, Standard & Poor's maintained its excessively high ratings, rather than downgrade the bonds to reflect the true risk of owning subprime-mortgage-backed debt

instruments.

6. Then, on August 16, 2007, investors were shocked when the *Associated Press,* and other media outlets reported that "the European Union will examine why credit rating agencies were slow to react to early signs of U.S. loan defaults that are now worrying investors worldwide." Investors were shocked by this news, and reacted negatively, causing the price of McGraw-Hill shares to fall as low as $48 per share that same day – on unusually heavy trading volume of more than 7.3 million shares traded

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to: (a) Section 27 of the Exchange Act, 15 U.S.C. § 78aa; and (b) 28 U.S.C. §§ 1331 and 1337.

8. This action arises under and pursuant to: (a) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b); (b) Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5; and (c) Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

9. Venue is proper in this District pursuant to Section 27 of the Exchange Act,15 U.S.C. § 78aa.

10. In furtherance of and in connection with the acts alleged herein, Defendant directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephonic communications, the Internet, and the facilities of the New York Stock Exchange (the "NYSE"), a national securities exchange.

PARTIES

11. Plaintiff Claude A. Reese purchased McGraw-Hill securities during the Class Period, as set forth in the attached Certification, and was damaged thereby.

12. Defendant Robert J. Bahash (hereinafter, "Bahash" or "Defendant,") is the Chief Financial Officer ("CFO") and Executive Vice President of McGraw-Hill.

13. Because of Defendant's positions with the Company, he had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements and markets via access to internal corporate documents (including the Company's operating plans, budgets, forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management meetings and committees thereof and via reports and other information provided to her in connection therewith.

14. Defendant Bahash, by virtue of his high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Bahash was involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, was aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

15. As an officer and controlling person of a publicly held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the New York Stock Exchange ("NYSE") and governed by the provisions of the federal securities laws, Defendant Bahash had a duty to disseminate promptly, accurate and truthful

information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management and earnings, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly traded common stock would be based upon truthful and accurate information. Defendant Bahash's misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

16. Defendant Bahash participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and was aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and was aware of their materially false and misleading nature. Because of Defendant Bahash's executive and managerial positions with McGraw-Hill, she had access to the adverse undisclosed information about McGraw-Hill financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about McGraw-Hill and its business issued or adopted by the Company materially false and misleading.

17. Defendant Bahash, because of his positions of control and authority as an officer of the Company, was able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Defendant Bahash was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, Bahash is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the

representations contained therein.

18. Defendant is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of McGraw-Hill common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding McGraw-Hill's business, operations and prospects and the intrinsic value of McGraw-Hill common stock; and (ii) caused Plaintiff and other members of the Class to purchase McGraw-Hill common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

Background

19. The McGraw-Hill Companies, Inc. provides information services and products to the education, financial services, and business information markets worldwide. The Company's McGraw-Hill Financial Services segment – operating under the Standard & Poor's brand – provides independent credit ratings covering corporate and government entities, infrastructure projects, and structured finance transactions; data and information services offering financial information on companies, securities, and indices; equity research; portfolio services developing global indices and investable products; and risk management and credit risk training.

False and Misleading Statements During the Class Period

20. On July 25, 2006, the first day of the Class Period, McGraw-Hill issued a press release announcing its financial results for second quarter 2006. The press release stated in relevant part as follows:

The McGraw-Hill Companies Reports Second Quarter EPS of $0.60, a

17.6% Increase

NEW YORK, July 25 /PRNewswire-FirstCall/ -- The McGraw-Hill Companies (NYSE: MHP) today reported diluted earnings per share increased 17.6% to $0.60 for the second quarter of 2006 compared to the same period last year. The 2006 results include incremental stock-based compensation of $0.03 per share. Net income for the second quarter was $221.0 million, an increase of 13.3% versus last year. Revenue for the second quarter of 2006 increased 4.9% to $1.5 billion. Foreign exchange rates had minimal impact on revenue and operating profit in the second quarter of 2006.

"Record results at Financial Services, a solid performance in the U.S. college and university market, and effective cost containment were key to our second quarter," said Harold McGraw III, chairman, president and chief executive officer of The McGraw-Hill Companies. "As a result, our operating margin improved to 25.8%, up from 23.6% for the same period last year.

"For the first half of 2006, diluted earnings per share were $0.79, including a one-time charge of $0.04 for the elimination of the restoration stock option program in the first quarter. The first half results also reflect incremental stock-based compensation of $0.07. Net income for the first half was $295.2 million. Revenue for the first half of 2006 was up 7.4% to $2.7 billion. Foreign exchange rates negatively impacted revenue by $11.0 million and had minimal impact on operating profit in the first half of 2006.

Education: "Revenue for this segment declined 2.7% to $611.6 million in the second quarter compared to the same period last year. Including incremental expenses of $2.5 million for stock-based compensation, the segment's operating profit decreased 5.3% to $67.8 million.

"Revenue for the McGraw-Hill School Education Group declined 5.8% in the second quarter to $390.4 million. Revenue for the McGraw-Hill Higher Education, Professional and International Group grew by 3.3% to $221.3 million in the second quarter compared to the same period last year.

"Challenging comparisons following last year's 17% gain in second quarter revenue and limited opportunities in this year's state new adoption market, which is expected to decline by approximately 30%, were key factors in the McGraw-Hill School Education Group's performance in the second quarter.

"Our new elementary basal reading program, Treasures, is off to an excellent start in the open territories. Our growing lineup of intervention products, including Jamestown Reading Navigator for secondary students, Early Interventions in

Reading, Kaleidoscope and Number Worlds for the primary grades, is winning new customers in the open territory and also in adoption states where most schools can access federal and other funding for these programs. Our alternative basal, Everyday Mathematics, produced solid growth.

"In this year's key state new adoptions, science in Florida and social studies in California, our programs for the secondary schools are leading the market. But second quarter results were affected by delays in ordering middle and high school products both in Florida and California and by disappointing performances of our elementary programs in those states. The delayed orders will be fulfilled in the third quarter.

"In the testing market, the continued decline of our more profitable norm-referenced products offset the gains we are making in providing the customized assessments that states need to meet the requirements of the No Child Left Behind Act. Under the Act, schools now must use assessments based on state standards to test students each year in grades three through eight in reading and math and report the results to the public. Schools face sanctions for failing to achieve improvements in test scores.

"In the Higher Education, Professional and International Group, we benefited from a solid performance in the U.S. college and university market. Our three major imprints -- Science, Engineering and Math; Humanities, Social Science and Languages; and Business and Economics -- all produced gains in the second quarter. We also experienced solid growth in the career colleges channel. Best-sellers in the second quarter included Ober, Keyboarding, 10th edition; Lucas, The Art of Public Speaking, 9th edition; Shier, Hole's Essentials of Human Anatomy and Physiology, 9th edition.

"Softness in the professional markets was partially offset by growth in digital subscription products and strong results with business titles. Five titles appeared on national best-seller lists during the second quarter:

• Succeed on Your Own Terms (Wall Street Journal, New York Times, USA Today)
• The Millionaire Maker (BusinessWeek)
• Chasing Daylight (New York Times)
• Crucial Conversations (BusinessWeek)
• The Millionaire Real Estate Agent (BusinessWeek)

"International markets softened as Mexico deferred anticipated school orders to the second half.

Financial Services: "Revenue for this segment increased 13.4% in the second quarter to $677.3 million compared to the same period last year. Excluding the prior year's revenue of $34.8 million from Corporate Value Consulting, which was sold at the end of September 2005, and April and May revenue of $8.1 million from CRISIL, Ltd. (majority interest acquired on June 1, 2005), revenue for the second quarter grew by $106.6 million on a non-GAAP basis. Of the non-GAAP revenue growth, 38.6% was produced by structured finance and 34.8% came from corporate and government ratings.

"Including the incremental expenses of $6.3 million for stock-based compensation in the second quarter, the segment's operating profit increased 21.5% to $313.9 million. Corporate Value Consulting contributed approximately $7.5 million to operating results in the second quarter of 2005.

"Strong double-digit growth for ratings in the U.S. and international markets helped Financial Services set new records for revenue and operating profit in the second quarter. International ratings accounted for 37.4% of ratings revenue in the second quarter versus 36.7% for the same period a year ago.

"Strength in global structured finance was again a key factor as all asset classes contributed to the year-over-year improvement. Particularly noteworthy was the activity in U.S. Collateralized Debt Obligations, which was driven by leveraged loans for mergers and acquisitions, new hybrid structures and arbitrage opportunities. And, while dollar volume issuance in U.S. Residential Mortgage-Backed Securities market declined by 1.2% in the second quarter, we benefited from an 8.6% pick up in the number of deals coming to market and solid gains in more active overseas markets.

"A surging corporate market also contributed to Standard & Poor's second quarter performance. Both investment grade and high-yield markets were up solidly. Public finance was soft as refunding volume continued to decline.

"New issue dollar volume increased in the U.S. and European bond markets in the second quarter versus the same period last year, according to reports from Securities Data Corporation and Harrison Scott Publications/S&P estimates.

"In the U.S., total new issue dollar volume was up 16.7%. Corporate new issuance was up 54.7%. Public finance declined by 6.8%. Mortgage-backed securities were off 0.7%. Asset-backed securities were down 12.5%, while collateralized debt obligations were up 162.0%. In Europe, new issue dollar volume was up 1.7%.

"Growth in ratings and services that are not tied to the new issue market also benefited S&P. These products and services, which include bank loans, counterparty and infrastructure finance ratings, ratings evaluation services as well as derivative ratings, produced 24.2% of ratings revenue in the second quarter, up from 21.5% for the same period last year.

"Our data and information products and services posted solid gains in the U.S. and European markets. We are adding new customers and increased the usage of our enhanced services with existing clients.

"The rise in assets under management in exchange-traded funds and the increased trading of derivative contracts based on Standard & Poor's indexes also contributed to our growth in the second quarter. At the end of June, assets under management in exchange-traded funds based on S&P indexes rose 21.3% to $143.4 billion versus the same period last year.

Information and Media: "Revenue for this segment increased 3.6% to $238.6 million in the second quarter compared to the same period last year. Including incremental expenses of $3.7 million for stock-based compensation, the segment's operating profit decreased $652,000, or 4.8%, to $13.0 million in the second quarter.

"The Broadcasting Group's revenue grew by 14.3% to $31.9 million. Increases in political and local advertising were key to the second quarter performance in 2006 versus the same period last year.

"Revenue for the Business-to-Business Group increased 2.1% to $206.7 million. The Group includes J.D. Power and Associates, BusinessWeek, construction, energy products and services, and Aviation Week. Growth in information products and services helped offset declines in advertising at the Business-to-Business Group.

"J.D. Power and Associates, driven by new marketing and information products and increased market penetration for automotive and non-automotive clients, produced solid revenue growth in the second quarter. Investments for syndicated research products impacted profit growth.

"Platts' news and pricing services continue to benefit from the volatility in energy markets. In the construction marketplace, the McGraw-Hill Construction Network and advertising-based products produced growth.

"Advertising pages in BusinessWeek's global edition declined 11.7% in the second quarter, according to the Publishers Information Bureau. The shutdown of BusinessWeek's international editions for Europe and Asia at the end of 2005 exacerbated the revenue decline. In the second quarter of 2005, the international editions produced revenue of $4.6 million. However, BusinessWeek did benefit from the elimination of the international editions. BusinessWeek.com continues to show solid growth and produced 14.1% of BusinessWeek's total advertising revenue in the second quarter.

"Advertising was off at Aviation Week, largely due to timing issues attributable to the biennial Paris Air Show, which was last held in the second quarter of 2005.

Corporate Expense: Including an incremental $2.4 million for stock-based compensation expense, corporate expense increased to $34.2 million in the second quarter versus $29.5 million for the same time last year.

The Outlook: "Based on the strength of our first half performance, we are raising our guidance for the year.

"Our previous guidance called for earnings per share of $2.36 to $2.41, excluding the incremental impact of all stock-based compensation.

"Our new guidance for 2006 improves the full-year forecast by $0.08. Therefore, we now expect EPS for 2006 of $2.44 to $2.49 excluding the incremental impact of all stock-based compensation ($0.13 for incremental stock-based compensation and $0.04 for the one-time charge for the elimination of the restoration stock option program in the first quarter).

"With more robust opportunities taking shape next year, we expect to return to double-digit earnings growth in 2007."

* * *

21. On July 28, 2006 McGraw-Hill filed its financial results for the period ended June 30, 2006 with the SEC on Form 10-Q, which was signed by Defendant and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), the Form 10-Q included a certification signed by the Defendant stating that the Form 10-Q did not include any material misrepresentations.

22. On October 19, 2006, McGraw-Hill issued a press release announcing its financial results for third quarter 2006. The press release stated in relevant part as follows:

The McGraw-Hill Companies Reports Third Quarter EPS of $1.06, a 6%

Increase; Raises Earnings Guidance for 2006

NEW YORK, Oct. 19 /PRNewswire-FirstCall/ -- The McGraw-Hill Companies (NYSE: MHP) today reported diluted earnings per share increased by 6% to $1.06 in the third quarter of 2006 compared to the same period last year. The 2006 diluted earnings per share for the third quarter include charges of $0.06: $0.03 for incremental stock-based compensation and $0.03 for restructuring business operations.

"The $15.4 million pre-tax restructuring charge ($9.7 million after tax) was primarily for employee severance costs for the previously announced integration of our elementary and secondary basal publishing operations and the outsourcing of some information technology functions. Approximately 600 positions were eliminated in the third quarter.

"Net income for the third quarter was $382.3 million. Revenue was up 0.8% to $2.0 billion versus the same period last year.

"Record results at Financial Services and stringent cost management in the face of a softer education market this year were key factors in our third quarter," said Harold McGraw III, chairman, president and chief executive officer of The McGraw-Hill Companies.

"For the first nine months, diluted earnings per share were $1.84, including a one-time charge of $0.04 for the elimination of the restoration stock option program in the first quarter, $0.09 for incremental stock-based compensation, and a $0.03 charge for restructuring. Net income for the first nine months was $677.5 million. Revenue for the period was up 4.4% to $4.7 billion.

"We will complete the restructuring this year in the fourth quarter, resulting in an additional pre-tax charge of $16 million, or approximately $0.03 per diluted share. The charge cannot be recognized until the fourth quarter due to timing of actions that relate primarily to the vacating of some facilities by the end of the year and the elimination of another 100 positions.

"Total restructuring charges for 2006 will be approximately $31.4 million, or $0.06 per diluted share, primarily from the elimination of 700 positions. These actions further streamline the organization and position us for a return to double-digit earnings growth in 2007.

Education: "Revenue for the segment decreased by 6.3% to $1.1 billion in the third quarter compared to the same period last year. Including incremental expenses of $3.4 million for stock-based compensation, the segment's operating profit declined 7.0% to $354.0 million.

"The segment also incurred a restructuring charge of $5.6 million in the third quarter principally for the integration of its elementary and secondary basal publishing business. The charge consisted primarily of employee severance costs for the elimination of 400 positions across the segment.

"Revenue for the McGraw-Hill School Education Group declined by 12.0% to $603.0 million in the third quarter. Revenue for McGraw-Hill Higher Education, Professional and International Group increased by 2.2% to $467.2 million in the third quarter compared to the same period last year.

"Tough comparisons and reduced market potential were major factors in the McGraw-Hill School Education Group's third quarter performance this year. Our success in a robust state new adoption market last year helped produce an 18.9% increase in revenue in the third quarter of 2005. With the state new adoption market declining by approximately 30% this year, our opportunities were more limited.

"We benefited this year from the depth and breadth of our product line for the elementary-high school market which may finish 2006 flat to down 4% after growing by 10.5% in 2005.

"In the secondary market this year, we had strong performances in the Florida science and California social studies adoptions. We successfully introduced Treasures, a new elementary basal reading program in the open territory. Our alternative basal, Everyday Mathematics, produced good results as did a growing lineup of reading and math intervention products for students performing two or more years below grade-level expectations.

"A disappointment this year was the performance of our elementary products in the Florida and California adoptions. We took only 4% of the elementary science adoption in Florida. However, we won an estimated 39% share of the Florida secondary market, where the dollar volume is greater.

"In the California social studies adoption, we captured about 15% of the available elementary market, less than we had hoped, but we did win 32% of the middle school market and 43% of the high school market for a leading share overall in the state.

"We continue to experience softness in the testing market because of decreased off-the-shelf sales of norm-referenced tests and reduced custom contract work in the third quarter. This softness was partially offset by new revenue from our innovative personalized study guides, which have been adopted by Texas and Arizona to help high school students pass their exit exams.

"The Higher Education, Professional and International Group produced third-quarter gains in the U.S. college and university, professional, and overseas markets.

"In the U.S. college and university market, we had good results in Science, Engineering and Math. There were modest declines in Humanities, Social Sciences and Languages and the Business and Economics imprints.

"Best-sellers in the third quarter included Ober, Keyboarding, 10th edition; Terrell, Dos Mundos, 6th edition; Shier, Hole's Essentials of Human Anatomy and Physiology, 9th edition; Lucas, The Art of Public Speaking, 9th edition; and Saladin's Anatomy and Physiology, 4th edition.

"In professional markets, both print products and digital products sold by subscription were up in the third quarter. Best-sellers for the third quarter included:

• Chase's Calendar of Events 2007
• Harrison's Principles of Internal Medicine, 16th edition
• Pharmacotherapy, 6th edition
• MD Anderson Manual of Medical Oncology
• The Ultimate New York Diet Plan

"Solid gains in Spanish-language markets and a pick up in higher education sales in Canada were key to the improvement in international publishing in the third quarter.

Financial Services: "Revenue for this segment increased 11.4% to $675.1 million compared to the same period last year. Excluding the prior year's revenue of $33.0 million from Corporate Value Consulting, which was sold at the end of September 2005, revenue for the third quarter grew by 17.9% on a non-GAAP basis. Of the non-GAAP revenue growth, 48.3% was produced by structured finance and 21.6% came from corporate and government ratings.

"Including the incremental expenses of $8.0 million for stock-based compensation in the third quarter, the segment's operating profit increased 17.3% to $295.7 million. Corporate Value Consulting had no material effect on operating profit in the third quarter.

"Solid growth in debt and equity markets produced record results at Standard & Poor's. International credit ratings and services continued to expand rapidly and accounted for 39.0% of ratings revenue in the third quarter, up from 36.7% for the same period last year.

"The global pacesetter again was structured finance. Growth in cash flow and synthetic Collateralized Debt Obligations, increases in Commercial Mortgage-Backed Securities due to favorable interest rates, strength in commercial mortgage originations and strong leveraged loan activity were key factors in the structured finance market.

"Dollar volume issuance in the U.S. Residential Mortgage-Backed Securities market fell again, declining 11.2% in the third quarter after slipping by 1.2% in the second quarter. But we continued to benefit from an increase in the number of deals, up 1.7% in the third quarter, and from more active Residential Mortgage-Backed Securities issuance in international markets.

"Corporate ratings, buoyed by a flurry of financing and merger and acquisition activity, also produced solid growth in the third quarter. Public finance softened as refunding volume continued to decline.

"New issue dollar volume increased in the U.S. and European bond markets in the third quarter versus the same period last year, according to reports from Securities Data Corporation and Harrison Scott Publications/S&P estimates.

"In the U.S., total new issue dollar volume was up 9.0% in the third quarter as corporate new issuance climbed by 25.9%. Public finance declined by 12.9%. Mortgage-Backed Securities were off 8.0%. Asset-Backed Securities were up 4.2%. Collateralized Debt Obligations were up 118.7%. In Europe, new issue dollar volume was up 51.8%.

"S&P continued to benefit from ratings and services that are not tied to the new issue market. They accounted for 23.4% of ratings revenue in the third quarter, up from 21.6% for the same period last year. Driving the growth was a surge in bank loan ratings and solid increases in counterparty risk, derivatives and structured finance models and assessments.

"In equity markets, we again expanded and grew our index services. Twenty- five new exchange-traded funds based on S&P indexes have been launched in the U.S. market so far this year by four different sponsors. At the end of September, assets under management in exchange-traded funds based on S&P indexes increased 23.5% to $147.1 billion. Contract trading volume of derivatives based on S&P indexes also increased substantially at the option exchanges.

"S&P also benefited from strong demand for its data and information products in both fixed income and equity markets here and abroad. Since acquiring Capital IQ in 2004, our goal has been to add data from S&P to its web-based platform, create more tools and improve usability for our clients. We started with Compustat data and last month we took another major step by adding Standard & Poor's credit ratings and research content to Capital IQ's platform. Other recent upgrades include the addition of global macroeconomic data, real-time market data and news, and detailed ownership data on public companies.

Information & Media: "Revenue for this segment in the third quarter grew by 8.0% to $247.3 million compared to the same period last year. Including incremental expenses of $2.7 million for stock-based compensation, the segment's operating income increased by 10.3% to $13.7 million in the third quarter.

"This segment also incurred a restructuring charge of $5.7 million in the third quarter mainly for employee severance costs for the elimination of 100 positions. Favorable developments with respect to certain disputed billings benefited the third quarter comparison by $8 million.

"Business information products and services were the key drivers in the segment's improvement in the third quarter. The segment also benefited from a pick-up in business-to-business advertising, which helped offset a decline of $1.6 million, or 5.9%, in the Broadcasting Group's third quarter revenue.

"For the third quarter of 2006, the Broadcasting Group reported revenue of $26.0 million as declines in national and local-time sales offset increases in political advertising.

"Revenue for the Business-to-Business Group increased by 9.9% to $221.3 million. The group includes J.D. Power and Associates, BusinessWeek, as well as products and services for the construction, aviation and energy industries.

"J.D. Power and Associates grew domestically and in both Europe and Asian markets, reflecting a mix of new products, additional services and the timing of study releases.

"Platts added new customers and expanded real-time services with existing clients for news and information in the volatile energy market. In the construction market, the McGraw-Hill Construction Network and advertising- based products produced growth.

"Advertising pages in BusinessWeek's global edition were up 7.6% in the third quarter, according to the Publishers Information Bureau, but could not offset the impact of a lower circulation base, a related advertising rate reduction and the shut down of the international editions in Europe and Asia. In the third quarter of 2005, these international editions produced revenue of $4.2 million. BusinessWeek.com continues to grow rapidly, producing more than 13% of BusinessWeek's total advertising revenue in the third quarter.

"Aviation Week & Space Technology benefited from the Farnborough Air Show, which is held in the third quarter of even-numbered years, and the Maintenance, Repair and Overhaul conference in Asia, which was held last year in the fourth quarter.

Corporate Expense: "Including an incremental $0.5 million for stock-based compensation expense, corporate expense increased $11.9 million, or 33.7%, to $47.2 million in the third quarter. A restructuring charge of $4.1 million, primarily for employee severance related to Global Resource Management initiatives focused on outsourcing select information management and business process functions, was also taken in the third quarter.

The Outlook: "Based on our record of achievement for the first nine months, we are raising our guidance for the full year.

"Our previous guidance called for diluted earnings per share of $2.44 to $2.49 excluding the incremental impact of all stock-based compensation. That excluded $0.13 for stock-based compensation and $0.04 for the one-time charge for the elimination of the restoration stock option program in the first quarter.

"The new guidance calls for diluted earnings per share of $2.53 to $2.55 excluding the incremental impact of all stock-based compensation and restructuring charges. The incremental impact of stock-based compensation has been revised to $0.11, down from $0.13 estimated at the start of the year. For 2007, we fully expect to achieve double-digit earnings growth."

Conference Call/Webcast Details: The Corporation's senior management will review the third quarter 2006 earnings results on a conference call scheduled for this morning, October 19th, at 8:30 AM Eastern Time. This call is open to all interested parties. Discussions may include forward-looking information. Additional information presented on the conference call may be made available on the Corporation's Investor Relations website at www.mcgraw-hill.com/investor_relations. To participate by telephone, please dial-in by 8:20 AM Eastern Time and register before the start of the call. Domestic participants may call toll-free (888) 323-5423; international participants may call +1 (415) 228-5016 (long distance charges will apply). The passcode is McGraw-Hill and the conference leader is Harold McGraw III. The conference call will also be Webcast. Go to the Corporation's Investor Relations website and click on the Earnings Announcement link under Investor Presentation Webcasts. At the Event Details screen, select the Webcast link. You will need Windows Media Player. The prepared remarks and slides will be available for downloading from the Investor Relations website's Investor Presentations archive several hours after the end of the call and a Webcast replay will be available until October 26, 2006.

The forward-looking statements in this news release involve risks and uncertainties and are subject to change based on various important factors, including worldwide economic, financial, political and regulatory conditions; the health of capital and equity markets, including possible future interest rate changes, the pace of recovery in the economy and in advertising; the level of expenditures in the education market; the successful marketing of competitive products; and the effect of competitive products and pricing.

About The McGraw-Hill Companies: Founded in 1888, The McGraw-Hill Companies is a leading global information services provider meeting worldwide needs in the financial services, education and business information markets through leading brands such as Standard & Poor's, McGraw-Hill Education, BusinessWeek and J.D. Power and Associates. The Corporation has more than 280 offices in 40 countries. Sales in 2005 were $6.0 billion. Additional information is available at http://www.mcgraw-hill.com.

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23. On October 27 2006, McGraw-Hill filed its financial results for the period ended September 30, 2006 with the SEC on Form 10-Q, which was signed by the Defendant and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of Sarbanes-Oxley, the Form 10-Q included a certification signed by Bahash stating that the Form 10-K did not include any material misrepresentations.

24. On January 25, 2007, McGraw-Hill issued a press release announcing its financial results for fourth quarter and full year 2007. The press release stated in relevant part as follows:

The McGraw-Hill Companies Reports 8.6% Increase in Earnings Per Share for 2006; EPS Grows By 12.0% In Fourth Quarter

NEW YORK, Jan. 25 /PRNewswire-FirstCall/ -- The McGraw-Hill Companies (NYSE: MHP) today reported 2006 diluted earnings per share of $2.40, an increase of 8.6% versus $2.21 in 2005. The 2006 results include the following charges: $0.04 for the elimination of the restoration stock option program, $0.11 for incremental stock-based compensation and $0.06 in charges for restructuring started in the third quarter and completed in the fourth quarter. The 2005 results include the following: a $0.04 restructuring charge in the fourth quarter, a $0.03 increase in income taxes for the repatriation of funds and a $0.01 gain on the sale of Corporate Value Consulting.

Net income for 2006 increased 4.5% to $882.2 million. Revenue for 2006 grew by 4.2% to $6.3 billion.

For the fourth quarter of 2006, diluted earnings per share increased 12.0% to $0.56 compared to the same period last year. The results include $0.01 for incremental stock-based compensation, a $0.03 restructuring charge and $0.04 for a change in revenue recognition for the transformation of Sweets from a primarily print catalog to a bundled print and online service. This shift in timing reduced Sweets' revenue by $23.8 million and operating profit by $21.1 million. The 2005 results include a $0.04 restructuring charge and a $0.03 increase in income taxes for the repatriation of funds.

Net income for the fourth quarter increased 8.2% to $204.8 million. Revenue grew by 3.4% to $1.6 billion.

"A strong finish to an outstanding year in Financial Services and effective cost controls in a softening education market were key to our performance in 2006," said Harold McGraw III, chairman, president and chief executive officer of The McGraw-Hill Companies.

Education: "Revenue for this segment in 2006 declined by 5.5% to $2.5 billion. Including incremental expenses of $19.6 million for stock-based compensation and a one-time charge for the elimination of the restoration stock option program, the segment's operating profit decreased in 2006 by 19.8% to $329.1 million with an operating margin of 13.0%.

"In the fourth quarter of 2006, revenue for the segment was off by 11.0% to $528.1 million while operating profit dropped by 88.0% to $4.4 million. Foreign exchange rates benefited revenue in 2006 by $6.6 million and operating results by $2.3 million, respectively.

"The segment incurred a pre-tax restructuring charge of $10.4 million in the fourth quarter to complete the previously announced integration of our elementary and secondary basal publishing units and the vacating of facilities at the end of 2006. Total restructuring charges for the segment in 2006 were $16.0 million; 450 positions were eliminated. In 2005, total restructuring charges for the segment were $9.0 million, all of which occurred in the fourth quarter.

"The McGraw-Hill School Education Group's revenue decreased by 12.4% to $1.3 billion in 2006 and by 30.2% to $186.7 million in the fourth quarter.

"The McGraw-Hill Higher Education, Professional and International Group's revenue increased 3.5% to $1.2 billion in 2006 and grew by 4.7% in the fourth quarter to $341.4 million.

"Tight cost controls helped mitigate reduced revenue potential and tough comparisons in the elementary-high school market. State new adoption opportunities plunged by approximately 30% in 2006 and the industry's open territory sales declined by 0.3%. As a result, the elementary-high school market was off by 5.8% in 2006 after growing by 10.5% in 2005.

"The year-over-year swing in revenue was evident in the School Education Group's fourth quarter results, which reflected the absence of new business after a very successful 2005 in Texas and softness in the testing market. In 2005, a delayed $44 million new adoption order from Texas helped boost the School Education Group's fourth quarter revenue by 23.6%.

"Revenue drivers for the full year included products for the expanding intervention market, such as Number Worlds; Everyday Mathematics, an alternative basal; Treasures, the new basal for the elementary school reading market and strong performances in Florida science (a 39% share of the secondary market) and California social studies (32% of the middle school and 40% of the high school markets). The secondary science list also performed well in New Mexico, Oklahoma and West Virginia. But these positive results were offset by weak performances from our elementary products in Florida science (a 5% share) and California social studies (a 15% share).

"In a continuation of a trend driven by the federal No Child Left Behind Act, sales of norm-referenced shelf tests declined again in the fourth quarter. The shortfall was exacerbated in the fourth quarter by lower volume from custom contracts as states reduced the scope of required work.

"The Higher Education, Professional and International Group benefited from cost control efforts and strong finishes in international and professional markets in the fourth quarter to end the year on an upswing.

"In the U.S. college and university market, our Science, Engineering and Math imprint produced an increase for the year. Our Humanities, Social Sciences and Languages and the Business and Economics imprints were essentially flat in 2006. Sales of Business and Economics increased in the fourth quarter while the other two imprints showed declines.

"Our growing array of digital products contributed incremental revenue for the fourth quarter and the year. In the U.S. college and university market, there is growing usage of Homework Manager, Math Zone and similar electronic products, particularly in accounting, mathematics and world languages. In professional markets, our digital subscription services and business and education products produced solid gains in the fourth quarter and for the year.

"Best-sellers in the fourth quarter included:
• Current Medical Diagnosis and Treatment 2007, 46th edition
• First Aid for the USMLE Step 1: 2007, 17th edition
• The Starbucks Experience
• Basic and Clinical Pharmacology, 10th edition
• Crucial Conversations

"Internationally, we produced gains in both English- and Spanish-language markets in the fourth quarter and for the year.

Financial Services: "Revenue for this segment in 2006 increased 14.4% to $2.7 billion. Excluding the prior year's revenue of $101.3 million from Corporate Value Consulting, which was sold at the end of September 2005, revenue in 2006 grew by 19.4% on a non-GAAP basis. Of the non-GAAP revenue growth, 42.9% was produced by structured finance and 26.1% came from corporate and government ratings. Foreign exchange rates benefited revenue by $5.6 million and did not materially impact operating results.

"Including incremental expenses of $30.0 million for stock-based compensation and a one-time charge for the elimination of the restoration stock option program in 2006, the segment's operating profit increased 18.0% to $1.2 billion compared to 2005. The operating margin for 2006 was 43.8%, up from 42.5% in 2005. The sale of Corporate Value Consulting produced a pre-tax gain of $6.8 million in 2005.

"In the fourth quarter, revenue grew by 22.1% to $794.1 million. Structured finance produced 44.7% of the revenue increase; 30.5% came from corporate and government ratings. Operating profit increased 19.1% to $341.1 million in the fourth quarter compared to the same period in 2005.

"Solid growth in equity and fixed-income information products and services enabled Standard & Poor's to set new records in 2006 for revenue, operating profit and operating margins. International credit ratings and services accounted for 41.8% of credit ratings revenue in the fourth quarter, up from 38.4% for the same period last year. For 2006, 38.6% of ratings revenue was produced off-shore, up from 37.0% in 2005. Continued worldwide strength in structured finance and a surging corporate finance market for both investment- grade and high-yield bonds were key factors in the fourth quarter for ratings.

"Rapid growth in the U.S. market for collateralized debt obligations and solid increases in commercial mortgage-backed securities kept the structured market moving ahead. The collateralized debt obligation market in the U.S. is being driven by cash flow CDOs of high-yield collateralized loan obligations and asset-backed securities transactions. Hybrid transactions, a combination of cash flow and synthetics, also continue to gain broader acceptance among investors.

"The corporate sector benefited from an active merger and acquisition market and strong financing activity. There were sharp increases in issuance in the telecom, media and entertainment, materials, high-tech, and healthcare sectors. Public finance also showed unexpected strength in the fourth quarter.

"The anticipated slowdown in the U.S. residential mortgage-backed securities market was evident in the fourth quarter. Increases in mortgage rates, a slowing in the rate of home price appreciation and tightening by sub- prime lenders all contributed to the softening market. In Europe, however, the residential mortgage-backed securities market again produced substantial gains. The asset-backed securities market softened as auto manufacturers curtailed securitization while they reorganized their businesses.

"New issue dollar volume increased in the U.S. and European bond markets in the fourth quarter versus the same period last year, according to reports from Thomson Financial, Harrison Scott Publications and S&P estimates. In the U.S., total new issue dollar volume was up 18.7% in the fourth quarter as corporates climbed 65.9%. Public finance increased by 16.6%. Mortgage-backed securities issuance declined by 4.2%. Asset-backed securities were off 31.0%. In Europe, new issue dollar volume was up 48.8%.

"The market was also robust for ratings and services that are not directly linked to new issuance. These services, which include infrastructure financing, bank loan ratings and derivatives, accounted for 24.5% of ratings revenue in the fourth quarter, up from 22.5% for the same period last year. For 2006, non-traditional ratings accounted for 23.9% of ratings revenue versus 22.1% in 2005.

"In equity markets, S&P continues to expand and grow. As of December 31, 2006, assets under management in exchange-traded funds based on S&P indices had climbed to a record high of $161.2 billion, a 19.3% year-over-year increase. Ten new exchange-traded funds based on S&P indices were launched in the fourth quarter. Contract trading volume of derivatives based on S&P indices increased for the year and the fourth quarter at the exchanges. In 2006, the average daily volume in e-Mini S&P 500 futures contracts topped the 1.0 million mark for the first time.

"We continue to experience strong global demand for S&P's equity and fixed-income information products and services. Since acquiring Capital IQ in 2004, we have more than doubled the client base to over 1,700 and continue to enrich its offerings. Capital IQ recently added data from S&P ratings to provide clients with deeper insights into a firm's debt capital structure.

Information & Media: "Revenue for the segment in 2006 grew by 5.7% to $984.5 million. Including incremental expenses of $14.1 million for stock- based compensation and a one-time charge for the elimination of the restoration stock option program, the segment's operating profit decreased by 17.6% to $49.9 million with an operating margin of 5.1%. J.D. Power and Associates, which was acquired on April 1, 2005, contributed revenue of $43.8 million in the first quarter of 2006.

"In the fourth quarter, revenue declined by 8.5% to $272.2 million while operating profit decreased by 27.7% to $21.5 million compared to the same period last year. The segment's fourth quarter and year-to-date results reflect restructuring charges and a change in revenue recognition for the transformation of Sweets from a primarily print catalog to a bundled print and online service. As a result of the change at Sweets, there was a reduction in revenue ($23.8 million) and operating profit ($21.1 million) in the fourth quarter. Revenue for the bundled service will be recognized as provided and will benefit Sweets in 2007.

"The segment also incurred pre-tax restructuring charges of $3.0 million in the fourth quarter and $5.7 million in the third quarter of 2006 mainly for employee severance. In 2006, a total of 150 positions were eliminated in Information & Media. In 2005, total restructuring charges for the segment were $10.2 million, all of which occurred in the fourth quarter. Favorable developments with respect to certain disputed billings also benefited comparisons to 2005 by $8.3 million.

"As a result of strong political advertising and growth in local-time sales, the Broadcasting Group in 2006 increased revenue by 7.5% to $120.6 million. In the fourth quarter, revenue increased 3.5% to $33.6 million as political advertising helped offset the loss of Monday Night Football at all our ABC affiliates and softness in local advertising.

"In 2006, revenue increased 5.5% to $864.0 million at the Business-to- Business Group, which includes the following brands: J.D. Power and Associates, BusinessWeek, Platts, McGraw-Hill Construction and Aviation Week. Chiefly due to the change in revenue recognition for the transformation of Sweets, revenue in the fourth quarter declined 10.0% to $238.6 million at the Business-to-Business Group.

"J.D. Power and Associates finished the year with solid results, producing growth in both automotive and non-automotive sectors in the fourth quarter and for 2006. Volatility in the energy markets drove demand all year for Platts' news and pricing services. Advertising pages for BusinessWeek's global edition increased 1.6% in the fourth quarter and were off 0.6% for 2006 compared to 2005. In the rapidly growing online market, BusinessWeek.com's revenue increased by 46% in 2006.

Corporate Expense: "Including an incremental $21.4 million for stock- based compensation and a one-time charge for the elimination of the restoration stock option program, corporate expense increased to $162.8 million in 2006. Restructuring charges were also taken: $4.1 million in the third quarter and $2.7 million in the fourth quarter. Corporate expenses in the fourth quarter increased 10.0% to $40.8 million. In 2005, corporate expenses included $2.8 million of restructuring charges in the fourth quarter.

The Outlook: "With continued strength in Financial Services and a rebounding education market, we are poised for double-digit earnings growth in 2007."

Conference Call/Webcast Details: The Corporation's senior management will review the fourth quarter 2006 earnings results on a conference call scheduled for this morning, January 25th, at 8:30 AM Eastern Time. This call is open to all interested parties. Discussions may include forward-looking information. Additional information presented on the conference call may be made available on the Corporation's Investor Relations website at www.mcgraw-hill.com/investor_relations. To participate by telephone, please dial-in by 8:20 AM Eastern Time and register before the start of the call. Domestic participants may call toll-free (888) 323-5423; international participants may call +1 (415) 228-5016 (long distance charges will apply). The passcode is McGraw-Hill and the conference leader is Harold McGraw III. The conference call will also be Webcast. Go to the Corporation's Investor Relations website and click on the Earnings Announcement link under Investor Presentation Webcasts. At the Event Details screen, select the Webcast link. You will need Windows Media Player. The prepared remarks and slides will be available for downloading from the Investor Relations website's Investor Presentations archive several hours after the end of the call and a Webcast replay will be available until February 1, 2007.

The forward-looking statements in this news release involve risks and uncertainties and are subject to change based on various important factors, including worldwide economic, financial, political and regulatory conditions; the health of capital and equity markets, including possible future interest rate changes, the pace of recovery in the economy and in advertising; the level of expenditures and state new adoptions in the education market; the successful marketing of competitive products; and the effect of competitive products and pricing.

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280 offices in 40 countries. Sales in 2006 were $6.3 billion. Additional information is available at www.mcgraw-hill.com.

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25. On January 28, 2007 McGraw-Hill filed its financial results for the fourth quarter and fiscal year ended December 31, 2006 with the SEC on Form 10-K, which was signed by Defendant Bahash, among others, and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of Sarbanes-Oxley, the Form 10-K included a certification signed by Bahash stating that the Form 10-K did not include any material misrepresentations.

26. On April 25, 2007, McGraw-Hill issued a press release announcing its financial results for first quarter 2007. The press release stated in relevant part as follows:

The McGraw-Hill Companies Reports 8.6% Increase in Earnings Per Share for 2006; EPS Grows By 12.0% In Fourth Quarter

NEW YORK, Jan. 25 /PRNewswire-FirstCall/ -- The McGraw-Hill Companies (NYSE: MHP) today reported 2006 diluted earnings per share of $2.40, an increase of 8.6% versus $2.21 in 2005. The 2006 results include the following charges: $0.04 for the elimination of the restoration stock option program, $0.11 for incremental stock-based compensation and $0.06 in charges for restructuring started in the third quarter and completed in the fourth quarter. The 2005 results include the following: a $0.04 restructuring charge in the fourth quarter, a $0.03 increase in income taxes for the repatriation of funds and a $0.01 gain on the sale of Corporate Value Consulting.

Net income for 2006 increased 4.5% to $882.2 million. Revenue for 2006 grew by 4.2% to $6.3 billion.

For the fourth quarter of 2006, diluted earnings per share increased 12.0% to $0.56 compared to the same period last year. The results include $0.01 for incremental stock-based compensation, a $0.03 restructuring charge and $0.04 for a change in revenue recognition for the transformation of Sweets from a primarily print catalog to a bundled print and online service. This shift in timing reduced Sweets' revenue by $23.8 million and operating profit by $21.1 million. The 2005 results include a $0.04 restructuring charge and a $0.03 increase in income taxes for the repatriation of funds.

Net income for the fourth quarter increased 8.2% to $204.8 million. Revenue grew by 3.4% to $1.6 billion.

"A strong finish to an outstanding year in Financial Services and effective cost controls in a softening education market were key to our performance in 2006," said Harold McGraw III, chairman, president and chief executive officer of The McGraw-Hill Companies.

Education: "Revenue for this segment in 2006 declined by 5.5% to $2.5 billion. Including incremental expenses of $19.6 million for stock-based compensation and a one-time charge for the elimination of the restoration stock option program, the segment's operating profit decreased in 2006 by 19.8% to $329.1 million with an operating margin of 13.0%.

"In the fourth quarter of 2006, revenue for the segment was off by 11.0% to $528.1 million while operating profit dropped by 88.0% to $4.4 million. Foreign exchange rates benefited revenue in 2006 by $6.6 million and operating results by $2.3 million, respectively.

"The segment incurred a pre-tax restructuring charge of $10.4 million in the fourth quarter to complete the previously announced integration of our elementary and secondary basal publishing units and the vacating of facilities at the end of 2006. Total restructuring charges for the segment in 2006 were $16.0 million; 450 positions were eliminated. In 2005, total restructuring charges for the segment were $9.0 million, all of which occurred in the fourth quarter.

"The McGraw-Hill School Education Group's revenue decreased by 12.4% to $1.3 billion in 2006 and by 30.2% to $186.7 million in the fourth quarter.

"The McGraw-Hill Higher Education, Professional and International Group's revenue increased 3.5% to $1.2 billion in 2006 and grew by 4.7% in the fourth quarter to $341.4 million.

"Tight cost controls helped mitigate reduced revenue potential and tough comparisons in the elementary-high school market. State new adoption opportunities plunged by approximately 30% in 2006 and the industry's open territory sales declined by 0.3%. As a result, the elementary-high school market was off by 5.8% in 2006 after growing by 10.5% in 2005.

"The year-over-year swing in revenue was evident in the School Education Group's fourth quarter results, which reflected the absence of new business after a very successful 2005 in Texas and softness in the testing market. In 2005, a delayed $44 million new adoption order from Texas helped boost the School Education Group's fourth quarter revenue by 23.6%.

"Revenue drivers for the full year included products for the expanding intervention market, such as Number Worlds; Everyday Mathematics, an alternative basal; Treasures, the new basal for the elementary school reading market and strong performances in Florida science (a 39% share of the secondary market) and California social studies (32% of the middle school and 40% of the high school markets). The secondary science list also performed well in New Mexico, Oklahoma and West Virginia. But these positive results were offset by weak performances from our elementary products in Florida science (a 5% share) and California social studies (a 15% share).

"In a continuation of a trend driven by the federal No Child Left Behind Act, sales of norm-referenced shelf tests declined again in the fourth quarter. The shortfall was exacerbated in the fourth quarter by lower volume from custom contracts as states reduced the scope of required work.

"The Higher Education, Professional and International Group benefited from cost control efforts and strong finishes in international and professional markets in the fourth quarter to end the year on an upswing.

"In the U.S. college and university market, our Science, Engineering and Math imprint produced an increase for the year. Our Humanities, Social Sciences and Languages and the Business and Economics imprints were essentially flat in 2006. Sales of Business and Economics increased in the fourth quarter while the other two imprints showed declines.

"Our growing array of digital products contributed incremental revenue for the fourth quarter and the year. In the U.S. college and university market, there is growing usage of Homework Manager, Math Zone and similar electronic products, particularly in accounting, mathematics and world languages. In professional markets, our digital subscription services and business and education products produced solid gains in the fourth quarter and for the year.

"Best-sellers in the fourth quarter included:
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"Internationally, we produced gains in both English- and Spanish-language markets in the fourth quarter and for the year.

Financial Services: "Revenue for this segment in 2006 increased 14.4% to $2.7 billion. Excluding the prior year's revenue of $101.3 million from Corporate

Value Consulting, which was sold at the end of September 2005, revenue in 2006 grew by 19.4% on a non-GAAP basis. Of the non-GAAP revenue growth, 42.9% was produced by structured finance and 26.1% came from corporate and government ratings. Foreign exchange rates benefited revenue by $5.6 million and did not materially impact operating results.

"Including incremental expenses of $30.0 million for stock-based compensation and a one-time charge for the elimination of the restoration stock option program in 2006, the segment's operating profit increased 18.0% to $1.2 billion compared to 2005. The operating margin for 2006 was 43.8%, up from 42.5% in 2005. The sale of Corporate Value Consulting produced a pre-tax gain of $6.8 million in 2005.

"In the fourth quarter, revenue grew by 22.1% to $794.1 million. Structured finance produced 44.7% of the revenue increase; 30.5% came from corporate and government ratings. Operating profit increased 19.1% to $341.1 million in the fourth quarter compared to the same period in 2005.

"Solid growth in equity and fixed-income information products and services enabled Standard & Poor's to set new records in 2006 for revenue, operating profit and operating margins. International credit ratings and services accounted for 41.8% of credit ratings revenue in the fourth quarter, up from 38.4% for the same period last year. For 2006, 38.6% of ratings revenue was produced off-shore, up from 37.0% in 2005. Continued worldwide strength in structured finance and a surging corporate finance market for both investment- grade and high-yield bonds were key factors in the fourth quarter for ratings.

"Rapid growth in the U.S. market for collateralized debt obligations and solid increases in commercial mortgage-backed securities kept the structured market moving ahead. The collateralized debt obligation market in the U.S. is being driven by cash flow CDOs of high-yield collateralized loan obligations and asset-backed securities transactions. Hybrid transactions, a combination of cash flow and synthetics, also continue to gain broader acceptance among investors.

"The corporate sector benefited from an active merger and acquisition market and strong financing activity. There were sharp increases in issuance in the telecom, media and entertainment, materials, high-tech, and healthcare sectors. Public finance also showed unexpected strength in the fourth quarter.

"The anticipated slowdown in the U.S. residential mortgage-backed securities market was evident in the fourth quarter. Increases in mortgage rates, a slowing in the rate of home price appreciation and tightening by sub- prime lenders all contributed to the softening market. In Europe, however, the residential mortgage-backed securities market again produced substantial gains. The asset-backed securities market softened as auto manufacturers curtailed securitization while they reorganized their businesses.

"New issue dollar volume increased in the U.S. and European bond markets in the fourth quarter versus the same period last year, according to reports from Thomson Financial, Harrison Scott Publications and S&P estimates. In the U.S., total new issue dollar volume was up 18.7% in the fourth quarter as corporates climbed 65.9%. Public finance increased by 16.6%. Mortgage-backed securities issuance declined by 4.2%. Asset-backed securities were off 31.0%. In Europe, new issue dollar volume was up 48.8%.

"The market was also robust for ratings and services that are not directly linked to new issuance. These services, which include infrastructure financing, bank loan ratings and derivatives, accounted for 24.5% of ratings revenue in the fourth quarter, up from 22.5% for the same period last year. For 2006, non-traditional ratings accounted for 23.9% of ratings revenue versus 22.1% in 2005.

"In equity markets, S&P continues to expand and grow. As of December 31, 2006, assets under management in exchange-traded funds based on S&P indices had climbed to a record high of $161.2 billion, a 19.3% year-over-year increase. Ten new exchange-traded funds based on S&P indices were launched in the fourth quarter. Contract trading volume of derivatives based on S&P indices increased for the year and the fourth quarter at the exchanges. In 2006, the average daily volume in e-Mini S&P 500 futures contracts topped the 1.0 million mark for the first time.

"We continue to experience strong global demand for S&P's equity and fixed-income information products and services. Since acquiring Capital IQ in 2004, we have more than doubled the client base to over 1,700 and continue to enrich its offerings. Capital IQ recently added data from S&P ratings to provide clients with deeper insights into a firm's debt capital structure.

Information & Media: "Revenue for the segment in 2006 grew by 5.7% to $984.5 million. Including incremental expenses of $14.1 million for stock- based compensation and a one-time charge for the elimination of the restoration stock option program, the segment's operating profit decreased by 17.6% to $49.9 million with an operating margin of 5.1%. J.D. Power and Associates, which was acquired on April 1, 2005, contributed revenue of $43.8 million in the first quarter of 2006.

"In the fourth quarter, revenue declined by 8.5% to $272.2 million while operating profit decreased by 27.7% to $21.5 million compared to the same period last year. The segment's fourth quarter and year-to-date results reflect restructuring charges and a change in revenue recognition for the transformation of Sweets from a primarily print catalog to a bundled print and online service. As a result of the change at Sweets, there was a reduction in revenue ($23.8 million) and operating profit ($21.1 million) in the fourth quarter. Revenue for the bundled service will be recognized as provided and will benefit Sweets in 2007.

"The segment also incurred pre-tax restructuring charges of $3.0 million in the fourth quarter and $5.7 million in the third quarter of 2006 mainly for employee severance. In 2006, a total of 150 positions were eliminated in Information & Media. In 2005, total restructuring charges for the segment were $10.2 million, all of which occurred in the fourth quarter. Favorable developments with respect to certain disputed billings also benefited comparisons to 2005 by $8.3 million.

"As a result of strong political advertising and growth in local-time sales, the Broadcasting Group in 2006 increased revenue by 7.5% to $120.6 million. In the fourth quarter, revenue increased 3.5% to $33.6 million as political advertising helped offset the loss of Monday Night Football at all our ABC affiliates and softness in local advertising.

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Corporate Expense: "Including an incremental $21.4 million for stock- based compensation and a one-time charge for the elimination of the restoration stock option program, corporate expense increased to $162.8 million in 2006. Restructuring charges were also taken: $4.1 million in the third quarter and $2.7 million in the fourth quarter. Corporate expenses in the fourth quarter increased 10.0% to $40.8 million. In 2005, corporate expenses included $2.8 million of restructuring charges in the fourth quarter.

The Outlook: "With continued strength in Financial Services and a rebounding education market, we are poised for double-digit earnings growth in 2007."

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The forward-looking statements in this news release involve risks and uncertainties and are subject to change based on various important factors, including worldwide economic, financial, political and regulatory conditions; the health of capital and equity markets, including possible future interest rate changes, the pace of recovery in the economy and in advertising; the level of expenditures and state new adoptions in the education market; the successful marketing of competitive products; and the effect of competitive products and pricing.

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27. On April 27, 2007 McGraw-Hill filed its financial results for the quarterly period ended March 31, 2007, with the SEC on Form 10-Q, which was signed by Defendant Bahash and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of Sarbanes-Oxley, the Form 10-Q included a certification signed by Bahash stating that the Form

10-Q did not include any material misrepresentations.

28. Defendant's statements described in ¶¶19-27, above, were materially false and misleading because Defendant misrepresented or failed to fully disclose that the Company's Standard & Poor's subsidiary assigned excessively high ratings to bonds backed by risky subprime mortgages – including bonds packaged as collateralized debt obligations – which was materially misleading to investors concerning the quality and relative risk of these investments. Moreover, even as a downturn in the housing market caused rising delinquencies of the subprime mortgages underlying such bonds, Standard & Poor's maintained its excessively high ratings, rather than downgrade the bonds to reflect the true risk of owning subprime-mortgage-backed debt instruments.

Disclosures at the End of The Class Period

29. Then, on August 16, 2007, investors were shocked when the *Associated Press,* in an article titled " EU to Examine Credit Rating Agencies" published that same day, reported that "the European Union will examine why credit rating agencies were slow to react to early signs of U.S. loan defaults that are now worrying investors worldwide." The *Associated Press* article stated the following:

> **EU to Examine Credit Rating Agencies**
> Thursday August 16, 5:02 pm ET
> By Aoife White, AP Business Writer
> **EU to Look at Why Credit Rating Agencies Were Slow to Downgrade Subprime Losses**
>
> BRUSSELS, Belgium (AP) -- The European Union will examine why credit rating agencies were slow to react to early signs of U.S. loan defaults that are now worrying investors worldwide, EU officials said Thursday.
>
> The inquiry will looking specifically at whether there were conflicts of interest, they said.

Credit rating agencies such as Standard & Poor's Corp., Moody's Investors Service Inc. and Fitch Ratings are paid by the banks that they rate for credit-worthiness.

A senior EU official, who spoke on condition he not be quoted by name because of the sensitivity of the issue, said the EU needed to look at possibly strengthening its code of conduct and whether other measures would be appropriate.

He said there was a "very significant delay" between banks reporting a sharp climb in poor returns from U.S. subprime housing loans made to people with poor credit and the agencies putting banks on credit watch.

Agencies continued to support debt trading at a discount after banks' first quarter results this spring showed a growing number of mortgage defaults, he said.

In the United States, Rep. Barney Frank, chairman of the House Financial Services Committee, in a recent interview promised a "serious inquiry" this fall into the ratings agencies, which have been criticized for not properly evaluating the risks of bonds backed by mortgages given to borrowers with weak credit.

EU spokeswoman Antonia Mochan confirmed that the European Commission and its high-level advisory group on financial services, the Committee of European Securities Regulators, would be looking at how credit rating agencies assess structured products, investments that derive their value from real assets and are used to spread risk.

Mochan said the EU's executive arm would look at the governance of these agencies, their management of conflict of interests and their ratings performance.

In addition, CESR will in parallel report on the agencies next April. A code of conduct drawn up by the International Organization of Securities Commissions was also under review, she said.

"We have a general eye on market developments including regulatory supervision and hedge funds," Mochan said. "We are following the situation and will draw any lessons that need to be drawn from what we see over the last weeks and in the coming days and weeks."

Moody's spokesman Anthony Mirenda said the agency "is committed to continuing the constructive dialogue that we've had with regulators and policymakers to enhance the overall understanding of the structured finance market, the various players in that sector and the role of ratings and rating agencies in the market."

A spokesman for S&P, part of McGraw-Hill Cos., declined to comment other than to say that S&P is participating in the European review. A Fitch spokesman, James Jockle, said that Fitch has not yet been contacted by the EU but "would be happy to answer whatever questions they may have about our business."

The worsening credit situation prompted French President Nicolas Sarkozy to urge the Group of Seven industrial countries to better monitor international financial markets. In a letter to German Chancellor Angela Merkel, he called for an investigation of the role of credit agencies in identifying risks.

Sarkozy has repeatedly sought a greater role for governments in managing the economy -- and has sought to wrest some control of monetary policy from European Central Bank regulators

[Emphasis added.]

30. Investors were shocked by this news, and reacted negatively, causing the price of McGraw-Hill shares to fall as low as $48 per share – on unusually heavy trading volume – as described in a *Reuters* article published that same day, August 16, 2007. The *Reuters* article stated the follwoing:

Rating agency shares fall on report of EU review
Thu Aug 16, 2007 3:28PM EDT

NEW YORK, Aug 16 (Reuters) - Rating agencies' shares were falling on Thursday after a European Union executive announced a review of the code used by the raters, a probe that could be critical of the industry.

EU Internal Market Commissioner Charlie McCreevy said that the crisis in the U.S. subprime mortgage sector has highlighted apparent failings in the voluntary code now used by the raters.

The three largest U.S. raters are Moody's Corp. (MCO.N: Quote, Profile, Research); Standard & Poor's, a unit of McGraw Hill Cos. Inc. (MHP.N: Quote, Profile, Research); and Fitch, a unit of France's Fimalac (LBCP.PA: Quote, Profile, Research).

Moody's shares were off 1.7 percent or 84 cents in afternoon trading at $48.26 on the New York Stock Exchange, below their previous year low of $48.28 set last August; they fell as low as $43.70 earlier.

Shares of McGraw-Hill were off 5.1 percent or $2.60 to $48.14 in NYSE trading, below their year low of $50.59 last August; they fell as low as $48.00 earlier.

Fimalac shares fell 8 percent in Paris to 54.40 euros.

"There's likely to be headline risk in this story," said Neil Godsey, an analyst with Friedman, Billings, Ramsey & Co. "And it will stay that way until the subprime turmoil subsides."

After the collapse of energy trader Enron Corp. in 2001, the global market regulators came out with a voluntary code. This was targeted at what they saw as conflicts of interest in the sector, whereby rating agencies are paid by the firms they rate.

"The Commission is going to be looking at the issue of credit ratings agencies, particularly as they relate to rating of structured products," Commission spokeswoman Antonia Mochan told a regular news briefing.

In Brussels, Mochan said the Commission would look at a number of issues -- governance of the agencies, their management of conflicts of interest, resourcing and ratings performance.

She said the Commission would focus on "the concerns we have in regard to their apparent slowness in responding to material market evidence of deterioration since 2006."

Mochan said the review would take at least until April 2008, but analysts said scapegoats were being hunted for the subprime fallout.

'THE BLAME GAME'

"The blame game has already started, with a growing criticism of the rating agencies," Citigroup economist Richard Reid said.

McCreevy will meet next month with the chairman of the Committee of European Securities Regulators (CESR), which groups the EU's 27 national market watchdogs, to discuss the issue.

Moody's spokesman Anthony Mirenda said his company would not comment on its stock price but was "committed to constructive dialogue with regulators and

> policymakers."
>
> S&P said it was already participating in CESR's review of how the industry complied with the code.
>
> James Jockle, a managing director of Fitch, said his company had not been contacted by the EU regarding the review but would be happy to participate. "We talk frequently to world regulators," he said. (Reporting by Ed Leefeldt, with additional reporting by Huw Jones)

[Emphasis added.]

CLASS ACTION ALLEGATIONS

31. Plaintiff brings this action as a class action pursuant to Rules 23(a) and(b)(3) of the Federal Rule of Civil Procedure on behalf of a Class, consisting of all persons who purchased or otherwise acquired McGraw Hill common stock between July 25, 2006 and August 15, 2007, inclusive (the "Class Period"), and who were damaged thereby. Excluded from the Class are the Defendant, members of the immediate family of the Defendant, any subsidiary or affiliate of McGraw Hill and the directors, officers, and employees of McGraw Hill or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

32. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are thousands of members of the Class located throughout the United States. Record owners and other members of the Class may be identified from records maintained by the Company and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

33. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendant's wrongful conduct in violation of federal law that is complained of herein.

34. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

35. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

1. whether the federal securities laws were violated by Defendant's acts and omissions as alleged herein;

2. whether the Defendant participated in and pursued the common course of conduct complained of herein;

3. whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, operations, financial condition, and prospects of McGraw-Hill;

4. whether statements made by The Defendant to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, operations, value, performance, and prospects of the Company;

5. whether the market price of McGraw Hill common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

6. the extent to which the members of the Class have sustained damages and

the proper measure of damages.

36. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE

37. At all relevant times, the market for McGraw Hill common stock was an efficient market for the following reasons, among others:

(a) McGraw Hill common stock was listed and actively traded on the NYSE, a highly efficient market;

(b) As a regulated issuer, the Company filed periodic public reports with the SEC; and,

(c) McGraw Hill regularly issued press releases which were carried by national news wires. Each of these releases was publicly available and entered the public marketplace.

(d) As a result, the market for McGraw Hill securities promptly digested current information with respect to the Company from all publicly available sources and reflected such information in the Company's stock price. Under these circumstances, all purchasers of McGraw Hill common stock during the Class Period suffered similar injury through their purchase of stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

38. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. To the extent that the specific statements pleaded herein were identified as forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendant is liable for those false forward-looking statements because at the time each of those forward-looking was made Defendant knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of the Company who knew that those statements were false when made.

SCIENTER ALLEGATIONS

39. As alleged herein, Defendant acted with scienter in that Defendant knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendant Bahash, by virtue of his receipt of information reflecting the true facts regarding McGraw-Hill, his control over, and/or receipt and/or modification of McGraw-Hill allegedly materially misleading misstatements and/or his associations with the Company which made him privy to confidential proprietary

information concerning McGraw-Hill, participated in the fraudulent scheme alleged herein.

FIRST CLAIM

Breach of Fiduciary Duty

40. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

41. Defendant Bahash owed a fiduciary duty to the Class, as purchasers and owners of McGraw-Hill stock.

42. Defendant, by means of his making the foregoing false and misleading statements, breached his fiduciary duty to the Class.

SECOND CLAIM

Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5Promulgated Thereunder

43. Plaintiff repeats and realleges each and every allegation contained above.

44. Defendant: (a) knew or recklessly disregarded material adverse nonpublic information about the Company's operations and financial results, which was not disclosed; and (b) participated in drafting, reviewing and/or approving the misleading statements, releases, reports, and other public representations of and about McGraw-Hill.

45. During the Class Period, Defendant, with knowledge of or reckless disregard for the truth, disseminated or approved the false statements specified above, which were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

46. Defendant has violated § 10(b) of the Exchange Act and Rule 10b-5

promulgated thereunder in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon the purchasers of McGraw-Hill stock during the Class Period.

47. Plaintiff and the Class have suffered damage in that, in reliance on the integrity of the market, they paid artificially inflated prices for McGraw-Hill stock. Plaintiff and the Class would not have purchased McGraw-Hill stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendant's false and misleading statements.

THIRD CLAIM

Violations Of Section 20(a) Of The Exchange Act

48. Plaintiff repeats and realleges each and every allegation contained above.

49. Defendant Bahash acted as controlling person of the Company within the meaning of § 20(a) of the Exchange Act. By reason of his senior executive positions she had the power and authority to cause the Company to engage in the wrongful conduct complained of herein.

50. By reason of such wrongful conduct, the Defendant is liable pursuant to § 20(a) of the Exchange Act. As a direct and proximate result of his wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of McGraw-Hill stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE**,** Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action and certifying Plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against Defendant, for all damages sustained as a result of Defendant's wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

Respectfully submitted,

Dated: August 27, 2007

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JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: August 27, 2007

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