Morningstar, Inc.
Form DEF 14A
April 10, 2007

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

SCHEDULE 14A

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Morningstar, Inc.
(Name of Registrant as Specified In Its Charter)

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

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Notice of 2007 Annual Meeting and Proxy Statement

April 10, 2007

Dear Shareholder:

We will hold our 2007 Annual Shareholders Meeting at 9:00 a.m. local time on Tuesday, May 22, 2007 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive in Chicago, Illinois. We look forward to your participation, either in person or by proxy.

We have enclosed the notice of annual meeting, proxy statement, and proxy card from our Board of Directors.

The agenda for this year s meeting includes the election of directors and ratification of the appointment of our independent registered public accounting firm. The Board of Directors recommends that you vote to elect each of the director nominees and to ratify the appointment of our independent registered public accounting firm. Please refer to the proxy statement for detailed information on each of the proposals and the meeting.

Each share of our stock that you own represents one vote. If you do not vote your shares, you will not have a say in the important issues to be voted on at the meeting. The election of each director nominee and the proposal to ratify the appointment of our independent registered public accounting firm will require the affirmative vote of a majority of the shares represented at the meeting and entitled to vote.

If you have any questions concerning the meeting or the proposals, please contact our Investor Relations department at (312) 696-6621. For questions regarding your stock ownership, you may contact our transfer agent, Computershare Investor Services, LLC, by e-mail through its Web site at www.computershare.com/contactUS or by phone at (866) 303-0659 (within the United States and Canada) or (312) 588-4659 (outside the United States and Canada). You can view your Morningstar stock holdings electronically and perform other transactions by enrolling in Computershare s Investor Center at www.computershare.com.

Sincerely,

Joe Mansueto

Chairman of the Board and Chief Executive Officer

Morningstar, Inc.
Notice of Annual Shareholders Meeting
To be held on May 22, 2007

Dear Shareholder:

You are cordially invited to attend our 2007 Annual Shareholders Meeting, which will be held at 9:00 a.m. local time on Tuesday, May 22, 2007 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive, Chicago, Illinois 60611.

We are holding the annual meeting for the following purposes:

To elect a board of directors to hold office until the next annual shareholders meeting or until their respective successors have been elected or appointed.

To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current year.

To transact other business that may properly come before the annual meeting or any adjournment or postponement of the meeting.

The proxy statement, which follows this notice, fully describes these items. We have not received notice of other matters to be presented at the annual meeting.

You may vote at the annual meeting and any postponements or adjournments of the meeting if you were a shareholder of record as of the close of business on March 30, 2007, the record date for the meeting. For 10 days prior to the annual meeting, a list of shareholders entitled to vote will be available for inspection at our principal executive offices, 225 West Wacker Drive, Chicago, Illinois 60606.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. For further details, see How do I vote? on page two.

Richard E. Robbins

General Counsel and Corporate Secretary

Chicago, Illinois

April 10, 2007

Proxy Statement

Our Board of Directors (the Board) solicits your proxy for the 2007 Annual Shareholders Meeting to be held at 9:00 a.m. local time on Tuesday, May 22, 2007 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive in Chicago, Illinois 60611 and at any postponement or adjournment of the meeting, for the purposes set forth in the Notice of Annual Shareholders Meeting included with this proxy statement. Our principal executive offices are located at 225 West Wacker Drive, Chicago, Illinois 60606. We made copies of this proxy statement available to shareholders beginning on April 10, 2007.

Questions and Answers About the Annual Meeting and the Proxy Materials

Where is the annual meeting?

We will hold the annual meeting at 9:00 a.m. local time on Tuesday, May 22, 2007 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive, Chicago, Illinois 60611. When you arrive at the Gleacher Center, take the elevator directly to the sixth floor to reach the meeting room. We will have signs posted that direct you to the appropriate meeting room. We will not permit cameras or other recording devices in the meeting room.

What will shareholders vote on at the annual meeting?

Shareholders will elect the Board to serve until our next annual shareholders meeting and be asked to ratify the appointment of Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for this year. We do not expect any other matters to be presented at the annual meeting. If other matters are properly presented for voting at the annual meeting, the persons named as proxies will vote in accordance with their best judgment on those matters.

Who is entitled to vote at the annual meeting?

Shareholders of record as of the close of business on March 30, 2007 are entitled to vote at the annual meeting. On that date, there were 42,545,554 outstanding shares of common stock.

What is a shareholder of record?

If your shares are registered directly in your name with our transfer agent, Computershare Investor Services, you are considered the shareholder of record for those shares. We sent the Notice of Annual Shareholders Meeting, Proxy Statement, proxy card, and 2006 Annual Report to you directly.

If your shares are held in a stock brokerage account or by a bank, or other holder of record, you are considered the beneficial owner of shares held in street name. Your broker, bank, or other holder of record is the shareholder of record for those shares and forwarded the Notice of Annual Shareholders Meeting, Proxy Statement, proxy card, and 2006 Annual Report to you. As the beneficial owner, you have the right to direct your broker, bank, or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

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How many votes are required to elect directors and adopt proposals?

The election of each director nominee and ratification of the appointment of Ernst & Young as our independent registered public accounting firm requires the affirmative vote of a majority of the shares of common stock represented in person or by proxy at the annual meeting and entitled to vote. A majority of the shares entitled to vote on a matter, whether present in person or by proxy, will constitute a quorum for consideration of that matter at the annual meeting.

How many votes am I entitled to per share?

Each share of our stock that you own represents one vote. If you do not vote your shares, you will not have a say in the important issues to be voted upon at the annual meeting.

How do I vote?

You may vote by completing, signing, and dating the proxy card or voting instruction card included with this Proxy Statement and returning that card in the prepaid envelope that was also included with this Proxy Statement.

If you are a shareholder of record and submit a signed proxy card but do not fill out the voting instructions, the persons named as proxies will vote the shares represented by your proxy as follows:

FOR the election of the director nominees listed in Proposal 1: Election of Directors.

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current year.

You may also vote in person at the annual meeting. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank, or other shareholder of record and present it to the inspectors of election with your ballot to be able to vote at the annual meeting.

What is the effect if I abstain from voting on a matter or my broker withholds my vote?

For the election of directors and for the purpose of determining whether the shareholders have approved other matters, abstentions are treated as shares that are represented and entitled to vote, so abstaining has the same effect as a negative vote. Shares held by brokers that do not have discretionary authority to vote on a particular proposal and that have not received voting instructions from their customers are not counted as being represented or entitled to vote on the proposal, which has the effect of reducing the number of affirmative votes needed to approve the proposal.

Should I submit a proxy even if I plan to attend the annual meeting?

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. If you attend the annual meeting and are a shareholder of record, you may also submit your vote in person, and any previous votes that you submitted will be superseded by the vote that you cast at the annual meeting.

Can I revoke my proxy?

You may revoke your proxy at any time prior to the completion of voting at the annual meeting by voting in person at the annual meeting or by delivering instructions prior to the annual meeting by mail to Richard E. Robbins, General Counsel and Corporate Secretary, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. If you are a beneficial owner, you must contact your broker, bank, or other holder of record to revoke any prior voting instructions.

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Who will bear the cost of soliciting votes for the annual meeting?

We will bear the expense of soliciting proxies. Our directors, officers, and other employees may also solicit proxies personally or in writing, by telephone, e-mail, or otherwise. They will not be compensated for soliciting proxies. We are required to request that brokers and nominees who hold stock in their names furnish our proxy material to the beneficial owners of the stock, and we must reimburse those brokers and nominees for the expenses of doing so in accordance with certain statutory fee schedules.

Will a replay of the annual meeting be available?

If you miss the annual meeting, you can view a videotaped replay at http://www.corporate.morningstar.com until November 30, 2007.

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Proposal 1:
Election of Directors

Our nominees for election as directors include five independent directors, as defined in the applicable rules for companies traded on the Nasdaq Global Select Market (NASDAQ), and two members of our senior management team. Each director serves a one-year term, as described below, with all directors subject to annual election.

During 2006, the Nominating and Corporate Governance Committee considered new Board nominee candidates. In February 2007, at the recommendation of the Nominating and Corporate Governance Committee, the Board appointed Frank Ptak to serve on the Board.

At the recommendation of the Nominating and Corporate Governance Committee, the Board nominated the persons listed below to serve as directors for the term beginning at the annual meeting on May 22, 2007 and ending with the annual meeting to be held in 2008 or until their successors, if any, are elected or appointed. Unless proxy cards are otherwise marked, the persons named as proxies will vote all proxies received **FOR** the election of each of these nominees.

If any director nominee is unable or unwilling to serve as a nominee at the time of the annual meeting, the persons named as proxies may vote either for a substitute nominee designated by the present Board to fill the vacancy or for the balance of the nominees, leaving a vacancy. Alternatively, the Board may reduce the size of the Board. The Board has no reason to believe that any of the nominees will be unwilling or unable to serve if elected as a director.

Recommendation of the Board

The Board recommends that you vote **FOR** the election of each of the following nominees.

Name	Age	Position
Joe Mansueto	50	Chairman of the Board and Chief Executive Officer
Don Phillips	45	Managing Director and Director
Cheryl Francis	53	Director
Steve Kaplan	47	Director
Jack Noonan	59	Director
Frank Ptak	63	Director
Paul Sturm	60	Director

Joe Mansueto

Joe Mansueto founded Morningstar in 1984. He has served as our chairman since our inception, and as our chief executive officer from inception to 1996 and from 2000 to the present. He holds a bachelor s degree in business administration from The University of Chicago and a master s degree in business administration from The University of Chicago Graduate School of Business.

Don Phillips

Don Phillips has been one of our managing directors since 2000. He is responsible for corporate strategy, research, and corporate communications. He joined us in 1986 as our first analyst. He served as our vice president and publisher from 1991 to 1996, as our president from 1996 to 1998, and as our chief executive officer from 1998 to 2000. He has served on the Board since August 1999. He also serves on the board of directors for Morningstar Japan. He holds a bachelor s degree in English from the University of Texas and a master s degree in American literature from The University of Chicago.

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Cheryl Francis

Cheryl Francis was elected to the Board in July 2002. She has been vice chairman, Corporate Leadership Center, since 2002 and an independent business and financial advisor since 2000. From 1995 to 2000, she served as executive vice president and chief financial officer of R.R. Donnelley & Sons Company, a print media company. She currently serves as a member of the board of directors of HNI Corporation and Hewitt Associates, as well as a trustee for Cornell University. She holds a bachelor s degree from Cornell University and a master s degree in business administration from The University of Chicago Graduate School of Business.

Steve Kaplan

Steve Kaplan served as a member of our advisory board beginning in 1998 and was elected to the Board in August 1999. Since 1988, he has been a professor at The University of Chicago Graduate School of Business where he currently is the Neubauer Family Professor of Entrepreneurship and Finance. He holds a bachelor s degree in applied mathematics and economics from Harvard College and a Ph.D. in business economics from Harvard University. He also serves on the board of trustees of the Columbia Acorn Funds where he is a member of the governance and compliance committees.

Jack Noonan

Jack Noonan served as a member of our advisory board beginning in 1998 and was elected to the Board in August 1999. Since 1992, he has served as president and chief executive officer of SPSS Inc., a software company specializing in predictive analytics, where he also currently serves on the board of directors.

Frank Ptak

Frank Ptak was appointed to the Board in February 2007. He has been president and chief executive officer of The Marmon Group of companies, a diverse manufacturing and service organization comprising more than 125 independent businesses, since January 2006, where he also serves on the board of directors. From 1996 to 2005, he served as vice chairman of Illinois Tool Works Inc., a diversified manufacturer of industrial systems and components. He holds a bachelor s degree in commerce from DePaul University.

Paul Sturm

Paul Sturm served as a member of our advisory board beginning in 1998 and was elected to the Board in August 1999. He is a private investor who wrote a monthly column on investing for *Smart Money* magazine between 1992 and 2006. From 1985 to 1989, he was assistant managing editor at *Business Week*. From 1980 until 1985, he held a similar position at *Forbes*. Prior to that, he worked as a business writer for a variety of publications based in New York, Washington, and London. He holds a bachelor s degree in economics from Oberlin College and a master s degree in journalism from Columbia University. He received a law degree from Georgetown University Law Center.

Proposal 2:
Ratification of Appointment of Independent
Registered Public Accounting Firm

In 2005, the Audit Committee selected Ernst & Young LLP (Ernst & Young) to replace Deloitte & Touche LLP (Deloitte) as Morningstar s independent registered public accounting firm beginning with the audit of Morningstar s consolidated financial statements for the fiscal year ending December 31, 2006.

The Audit Committee has appointed Ernst & Young as our independent registered public accounting firm for the fiscal year ending December 31, 2007. As a matter of good corporate governance, we are submitting the appointment of Ernst & Young as our independent registered public accounting firm to shareholders for ratification. If the appointment of Ernst & Young is not ratified by shareholders at the annual meeting, the Audit Committee will review its appointment of our independent registered public accounting firm.

Deloitte was engaged to audit our consolidated financial statements for the fiscal year ended December 31, 2005 and was dismissed as our independent registered public accounting firm upon completion of these services when we filed our Annual Report on Form 10-K for that fiscal year. During our fiscal years ended December 31, 2005 and 2004 and through the date we filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, we had no disagreements with Deloitte on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Deloitte s satisfaction, would have caused it to make reference to the matter in conjunction with its report on our consolidated financial statements for the relevant year; and there were no reportable events as defined in Item 304(a)(1)(v) of SEC Regulation S-K.

Deloitte s audit reports on our consolidated financial statements for the fiscal years ended December 31, 2005 and 2004 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During our fiscal years ended December 31, 2005 and 2004 and through the date we filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, neither we, nor anyone on our behalf, consulted with Ernst & Young with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and no written report or oral advice was provided by Ernst & Young to us that Ernst & Young concluded was an important factor considered by us in reaching a decision as to the accounting, auditing, or financial reporting issue or (ii) any matter that was the subject of either a disagreement (as defined in Item 304(a)(1)(iv) of SEC Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of SEC Regulation S-K).

We expect that a representative of Ernst & Young will attend the annual meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from shareholders.

See Board of Directors and Corporate Governance Board Committees and Charters Audit Committee, Audit Committee Report, and Principal Accounting Firm Fees for additional information pertaining to the Audit Committee, its activity during 2006, and related matters.

Recommendation of the Board

The Board of Directors recommends that you vote **FOR** the ratification of the appointment of Ernst & Young as our independent registered public accounting firm for 2007.

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Board of Directors and Corporate Governance

We have adopted a set of corporate governance guidelines to allocate duties and authority between the Board and our management team. These guidelines reflect the Board s commitment to monitor policies and decision-making at both the Board and management levels, with the goal of enhancing shareholder value over the long term. The shareholders elect the Board and vote on extraordinary matters. The Board is the company s governing body and is responsible for hiring, overseeing, and evaluating management, particularly the chief executive officer. The management team runs the company s day-to-day operations. Our Board currently consists of seven directors. The Board believes that there should be a substantial majority of independent directors on the Board. The Board also believes that it is useful and appropriate to have members of management, including the chief executive officer, as directors. The current Board members include five independent directors and two members of our senior management team.

Independent Directors

Each of our directors, other than Joe Mansueto and Don Phillips, qualifies as independent under NASDAQ requirements. The NASDAQ independence rules preclude a finding of independence if the director is employed by the company or has engaged in various types of business dealings with the company. In reaching its conclusion that each of our non-employee directors is independent, the Board has determined that none of our non-employee directors has a relationship that would interfere with the exercise of his or her independent judgment. In making this determination, the Board reviewed and discussed information provided by the directors and management with regard to each director s business and personal activities as they relate to the company. For Cheryl Francis, the Board considered ordinary course transactions between the company and Hewitt Associates, where she is a member of the board of directors, and ordinary course transactions between the company and the Corporate Leadership Center, where she is vice chairman. For Steve Kaplan, the Board considered ordinary course transactions between the company and Columbia Acorn Funds, where he is a member of the board of trustees, and a charitable contribution by Joe Mansueto to The University of Chicago, where Steve is a professor. For Jack Noonan, the Board considered ordinary course transactions between the company and SPSS, Inc., where he is president and chief executive officer. For Frank Ptak, the Board considered that his son is employed by the company as a stock analyst. For Paul Sturm, the Board considered ordinary course transactions between the company and *Smart Money* magazine, where he was a contributor.

The Board has determined that each member of the Audit Committee qualifies as independent under special standards established by the SEC for members of audit committees. The Board has also determined that each Audit Committee member has sufficient knowledge to read and understand the company s financial statements and to serve on the Audit Committee. Additionally, the Board has determined that Cheryl Francis, the Chair of the Audit Committee, is qualified as an audit committee financial expert under the relevant SEC rules. This designation is a disclosure requirement of the SEC related to Cheryl Francis experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon her any duties, obligations, or liability that are greater than those generally imposed on her as a member of the Audit Committee and the Board. Her designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations, or liability of any other member of the Audit Committee or the Board.

Board Responsibilities and Structure

The primary responsibilities of the Board are to provide oversight, counseling, and direction to our management team in the long-term interests of the company and our shareholders. The Board s responsibilities include: (a) selecting and regularly evaluating the performance of the chief executive officer, (b) planning for chief executive officer succession and monitoring management s succession planning for other senior executives, (c) overseeing the conduct of our business to evaluate whether the business is being properly managed, and (d) overseeing the processes for maintaining our integrity with regard to our financial statements and other public disclosures and compliance with law and ethics. The chief executive officer and management are responsible for

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seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions that we may undertake.

The Board and its committees meet throughout the year on a set schedule. From time to time as appropriate, the Board and its committees also hold special meetings and may act by written consent. Board agendas include regularly scheduled sessions for the independent directors to meet without management present. The independent directors determine who among them will be responsible for chairing sessions for the independent directors. The Board has delegated various responsibilities and authority to different Board committees, as described below. These committees regularly report on their activities and actions to the full Board. Board members have access to all of our employees outside of Board meetings.

Attendance at Board, Committee, and Annual Shareholders Meetings

The Board held eight meetings in 2006. We expect each director to attend each meeting of the Board and the committees on which he or she serves, and also expect them to attend the annual meeting. In 2006, each director attended all of the meetings of the Board and the committees on which he or she served, except that Don Phillips missed two Board meetings, Cheryl Francis missed one Board meeting, and Paul Sturm missed one Compensation Committee meeting. Five of the six directors then in office attended our 2006 Annual Shareholders Meeting.

Board Committees and Charters

The Board currently has standing Audit, Compensation, and Nominating and Corporate Governance Committees and appoints the members to each of these committees. Each member of the Audit, Compensation, and Nominating and Corporate Governance Committees is an independent director under NASDAQ standards. Each Board committee has a written charter approved by the Board. A copy of each charter is posted on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section. The table below shows the members of each committee and the number of meetings held by each committee during 2006.

	Audit	Compensation	Nominating and Corporate Governance
Joe Mansueto			
Don Phillips			
Cheryl Francis	Chair		Member
Steve Kaplan	Member	Chair	
Jack Noonan		Member	Member
Frank Ptak			
Paul Sturm	Member	Member	Chair
2006 Meetings	10	6	2

Audit Committee

The Audit Committee assists the Board in its general oversight of our financial reporting, internal controls, and audit functions and is directly responsible for the appointment, retention, compensation, and oversight of the work of our independent registered public accounting firm. The responsibilities and activities of the Audit Committee are described in greater detail in Audit Committee Report.

Compensation Committee

The Compensation Committee reviews and determines salaries, incentive plan awards, and other matters relating to compensation of our executive officers, other than the chief executive officer, based on feedback from our chief executive officer about the individual s performance and overall contribution to the company and makes recommendations to the Board concerning

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chief executive officer compensation. The Compensation Committee administers our equity-based compensation plans, including reviewing and granting equity-based awards to our executive officers and other employees. The Compensation Committee also reviews and determines various other company compensation policies and matters. The Compensation Committee makes recommendations to the Board concerning changes to our non-employee director compensation practices. The Compensation Committee may, in its discretion and only to the extent permitted by law, delegate certain of its authority to a subcommittee of the Compensation Committee. The Compensation Committee may engage its own outside advisors as it deems appropriate. In 2006, the Compensation Committee didn t retain a compensation consultant to advise it on executive compensation matters. See Compensation Discussion and Analysis for additional information pertaining to the Compensation Committee, its activity during 2006, and related matters.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee works with the Board to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Nominating and Corporate Governance Committee and the Board take into account many factors, including general understanding of marketing, finance, and other disciplines relevant to the success of a publicly traded company; understanding of our business; education and professional background, including current employment and other board memberships; and reputation for integrity. These factors, and others considered useful by the Nominating and Corporate Governance Committee, will be reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. After assessing the perceived needs of the Board, the Nominating and Corporate Governance Committee identifies specific individuals and looks to well respected companies as a potential source of director candidates with experience relevant to Morningstar. In 2006, the Nominating and Corporate Governance Committee identified Illinois Tool Works Inc. as one such company. The priorities and emphasis of the Nominating and Corporate Governance Committee and of the Board may change from time to time to take into account changes in business and other trends and the portfolio of skills and experience of current and prospective Board members. The Nominating and Corporate Governance Committee establishes procedures for the nomination process and recommends candidates for election to the Board.

Consideration of new Board nominee candidates involves a series of internal discussions, review of information concerning candidates, and interviews with selected candidates. Board members or employees typically suggest candidates for nomination to the Board. In 2006, we did not employ a search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates. Frank Ptak, who joined our Board in February 2007, was introduced to the Board by Joe Mansueto. Frank Ptak is the president and chief executive officer of The Marmon Group of companies and former vice chairman of Illinois Tool Works Inc. As noted above, the Nominating and Corporate Governance Committee had previously identified Illinois Tool Works Inc. as a potential source of director candidates. The Nominating and Corporate Governance Committee will consider candidates proposed by shareholders. The Committee evaluates candidates proposed by shareholders using the same criteria as for other candidates. A shareholder seeking to recommend a prospective nominee for the Nominating and Corporate Governance Committee s consideration should submit the candidate s name and qualifications to Richard E. Robbins, General Counsel and Corporate Secretary, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606.

The Nominating and Corporate Governance Committee reviews and makes recommendations to the Board regarding the appropriate size, performance, composition, duties, and responsibilities of the Board and each of its committees. The Nominating and Corporate Governance Committee also reviews and reports to the Board on a periodic basis with regard to matters of corporate governance, such as our various codes and policies pertaining to corporate governance.

Limitation on Other Board Service

We require that our directors who are currently serving as the chief executive officer or other executive officer of a public company serve on a total of no more than three public company boards. We require that our directors who are not currently serving as a chief executive officer or other executive officer of a public company serve on no more than four public company boards.

Communications from Shareholders to the Board

Shareholders may initiate communications with the Board by writing in care of our General Counsel and Corporate Secretary. Shareholders can send communications to Richard E. Robbins, General Counsel and Corporate Secretary, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. This centralized process assists the Board in reviewing and responding to shareholder communications in an appropriate manner. The name of any specific intended Board recipient should be noted in the communication. The Board has instructed our General Counsel and Corporate Secretary to forward correspondence only to the intended recipients; however, the Board has also instructed him, prior to forwarding any correspondence, to review the correspondence and, in his discretion, not to forward certain items if he deems them to be of a commercial or frivolous nature or otherwise inappropriate for the Board s consideration. In these cases, he may forward some of the correspondence elsewhere in the company for review and possible response.

Corporate Governance Guidelines

The Board has adopted a set of Corporate Governance Guidelines. The Nominating and Corporate Governance Committee is responsible for overseeing the Corporate Governance Guidelines and reporting and making recommendations to the Board concerning corporate governance matters. We have posted the guidelines on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section.

Among other matters, the Corporate Governance Guidelines include the following items concerning the Board:

The Board believes five to 12 board members is an appropriate size based on our present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable.

The Board may fill vacancies in existing or new director positions. Directors elected by the Board serve only until the next election of directors unless elected by the shareholders to a further term at that time.

The Board believes that, except during periods of temporary vacancies, a substantial majority of its directors must be independent. In determining the independence of a director, the Board applies the relevant NASDAQ requirements and applicable laws and regulations.

The Board believes that non-employee directors who have served on the Board for 12 full one-year terms, whether those 12 one-year terms are served consecutively or not, should be required to take at least a two-year absence from the Board. After a non-employee director is off the Board for two years following the completion of 12 years of service, he or she will again be eligible to serve on the Board. Time served on the Board prior to the completion of our initial public offering is not counted against a non-employee director s limit of 12 one-year terms. The Board believes that this term limit will help ensure that there are fresh ideas and viewpoints available.

The Board believes that it should evaluate the abilities and contributions of each director according to the process described above, and does not believe it should fix a retirement age for directors.

The Board believes that any director who retires from his or her present employment or who materially changes his or her position should promptly tender a written resignation to the Board. The Nominating and Corporate Governance Committee will then evaluate whether the Board should accept the resignation based on a review of whether the director continues to satisfy the Board s membership criteria in light of his or her changed status.

All directors must comply with the applicable provisions of our Code of Ethics, including the Conflicts of Interest section. If an actual or potential conflict of interest develops for any reason, including, without limitation, because of a change in our business operations, or in a director s circumstances, the director should immediately report that matter to our General Counsel for evaluation. If a significant conflict cannot be resolved, the director may be expected to resign.

If a director has a personal interest in a matter before the Board, the director must disclose the interest to the Board, excuse himself or herself from participation in the discussion, and may not vote on the matter.

The Corporate Governance section of our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations also includes our Code of Ethics and our Securities Trading and Disclosure Policy, each of which has been adopted by the Board.

Directors Compensation

The following table shows compensation earned by each of our non-employee directors in 2006, other than Frank Ptak, who joined our Board in February 2007. Joe Mansueto and Don Phillips are members of our Board and Morningstar employees. Neither receives any additional compensation for serving on the Board or attending Board meetings.

	Fees Earned or Paid in Cash1	Stock Awards2	Option Awards3	Total
Cheryl Francis	$38,000	$22,912	$75,133	$136,045
Steve Kaplan	26,000	22,912	75,133	124,045
Jack Noonan	12,000	22,912	75,133	110,045
Paul Sturm	16,500	22,912	75,133	114,545

(1) Amounts shown consist of the amounts described below under Cash Compensation. The fees earned by Cheryl Francis and Steve Kaplan include $25,000 and $10,000, respectively, for service as a Committee Chair.

(2) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2006 for restricted stock unit awards as determined pursuant to SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS No. 123(R)). These compensation costs reflect restricted stock unit awards granted in 2006. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating this amount. The grant date fair value of the restricted stock units granted to each of our non-employee directors in 2006 was $110,000. As of December 31, 2006, each director held 2,473 restricted stock units.

(3) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2006 for option awards as determined pursuant to SFAS No. 123(R). These compensation costs reflect option awards granted in 2003, 2004, and 2005. We did not grant stock options to our non-employee directors in 2006. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating this amount. The grant date fair value of the option awards granted to each of our non-employee directors in 2003, 2004, and 2005 was $48,000, $113,000, and $109,000, respectively. As of December 31, 2006, our non-employee directors held options

with respect to the following number of shares outstanding: Cheryl Francis 68,000, Steve Kaplan 52,000, Jack Noonan 124,000, and Paul Sturm 136,000.

Overview of Directors Compensation

The Board establishes non-employee directors compensation based on the recommendation of the Compensation Committee. Directors who are also our employees do not receive any additional compensation for serving on the Board or attending Board meetings. Our non-employee directors receive cash compensation, including meeting fees and retainers for serving as the Audit Committee Chair or Compensation Committee Chair, and equity-based compensation.

Cash Compensation. Each non-employee director is entitled to receive a fee of $1,000 per Board meeting and $500 per committee meeting attended, plus travel expenses in connection with attendance at meetings. The Chairman of the Board or relevant Committee Chair has the discretion to waive fees for brief meetings not requiring significant preparation. During 2006, the Audit Committee Chair received a cash retainer of $25,000 and the Compensation Committee Chair received a cash retainer of $10,000.

Equity-Based Compensation. In 2006, we granted each of our non-employee directors restricted stock units covering shares with a value of $110,000 at grant and that vest over a period of three years. Any new non-employee director will receive an initial grant of restricted stock units covering shares with a value of $250,000 at grant and vesting over a period of three years. Non-employee directors may choose to defer receipt of the stock that would otherwise be issued when their restricted stock units vest.

Security Ownership of Certain Beneficial Owners and Management

The following table shows information about beneficial ownership of our common stock as of March 30, 2007 by each of our directors, each of the executive officers identified in the compensation tables included in this proxy statement, each holder of more than 5% of our common stock, and all of our directors and executive officers as a group.

To compute the number of shares a person beneficially owns and that person s percentage ownership, shares of common stock subject to options held by that person that are currently exercisable or that will become exercisable by May 29, 2007 and restricted stock units that will vest by May 29, 2007 are deemed outstanding. However, the shares are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except as otherwise indicated in the notes to the table, each person named in the table has sole voting and investment power with respect to the shares listed.

The following table is based on 42,545,554 shares of our common stock outstanding as of March 30, 2007.

	Number of Shares Beneficially Owned	Percentage of Common Stock
Joe Mansueto[1]	29,292,000	68.85%
Martha Dustin Boudos[2]	255,757	*
Catherine Gillis Odelbo[3]	269,280	*
Tao Huang[4]	1,490,858	3.39
Patrick Reinkemeyer[5]	259,974	*
Don Phillips[6]	1,687,445	3.84
Cheryl Francis[7]	72,824	*
Steve Kaplan[8]	96,824	*
Jack Noonan[9]	116,824	*
Frank Ptak	0	*
Paul Sturm[10]	360,824	*
All directors and executive officers as of March 30, 2007 as a group (20 persons)[11]	35,835,724	74.51
Morgan Stanley[12]	2,555,482	6.01

* Represents beneficial ownership of less than 1%.

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(1) Joe Mansueto s address is c/o Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. Joe has pledged 3,400,000 shares of our common stock as security under the terms of a bank credit agreement.

(2) Includes 228,095 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 2,037 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(3) Includes 165,000 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 1,273 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(4) Includes 1,372,500 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 3,055 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(5) Includes 245,524 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 1,782 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(6) Includes 1,443,874 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 2,037 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(7) Includes 72,000 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 824 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(8) Includes 56,000 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 824 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(9) Includes 116,000 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 824 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(10) Includes 140,000 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 824 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(11) Includes 5,522,121 shares of common stock issuable upon exercise of stock options exercisable by May 29, 2007 and 24,532 shares of our common stock subject to restricted stock units that will vest by May 29, 2007.

(12) Includes 2,367,738 shares as to which Morgan Stanley has sole voting power and 2,555,482 shares as to which Morgan Stanley has sole investment power, and 2,176,543 shares as to which Morgan Stanley Investment Management Inc., a registered investment adviser and wholly owned subsidiary of Morgan Stanley, has sole voting power and 2,310,225 shares as to which Morgan Stanley Investment Management Inc. has sole investment power. This information is based solely on a Schedule 13G filed on February 15, 2007 by Morgan Stanley and Morgan Stanley Investment Management Inc. whose business addresses are 1585 Broadway, New York, NY 10036 and 1221 Avenue of the Americas, New York, NY 10020, respectively.

Compensation Discussion and Analysis

In this section, we discuss the goals of our compensation program and how we compensated each of the executive officers identified in the following table in 2006. The individuals listed include our chief executive officer and chief financial officer, plus our three other most highly compensated executive officers based on total compensation.

Name	Title
Joe Mansueto	Chairman and Chief Executive Officer
Martha Dustin Boudos	Chief Financial Officer
Catherine Gillis Odelbo	President, Individual Business
Tao Huang	Chief Operating Officer
Patrick Reinkemeyer	President, Morningstar Associates

In March 2007, we announced that Martha Dustin Boudos will be taking on a new role in the company. We are in the process of searching for a new chief financial officer. Martha will remain chief financial officer until we name a replacement.

Goals of Our Compensation Program

Our Compensation Committee s compensation philosophy is to pay members of our management team competitive base salaries and provide them with the opportunity to earn meaningful equity-based and incentive compensation through the Morningstar 2004 Stock Incentive Plan (the Stock Incentive Plan) and the Morningstar Incentive Plan (the Incentive Plan).

The goals of our compensation program for management are to develop compensation policies and practices that:

- attract and retain talented executives;
- motivate and reward our management team for their individual contributions to the company; and
- align management s interests with the long-term interests of our shareholders.

The Compensation Committee believes that, as members of our management team take on more responsibility at Morningstar, variable incentive pay and equity awards should make up a larger portion of their total compensation. Our compensation program is designed to reward each member of our management team based on his or her business and financial achievements and overall contribution to the company.

The Compensation Committee doesn t use rigid formulas to determine executive compensation. Nevertheless, the Compensation Committee s philosophy is to tie compensation closely to value creation, as measured by increases in cash flow and EBIT (earnings before interest and taxes), and long-term stock performance. The Compensation Committee bases its decisions about an executive s compensation on its assessment of his or her performance and contribution toward enhancing the intrinsic value of our company. The Compensation Committee relies on its judgment in determining the amounts and combination of base salary, bonus, and equity awards. The Compensation Committee also compares the total cash compensation of our executives to what it sees in the market for companies of similar size and operating in a similar business. The Compensation Committee doesn t target specific compensation levels based on its review of other companies pay practices, but it believes it s relevant to consider this information as a check that our pay practices are competitive.

CEO Compensation

In consideration of his status as our principal shareholder, Joe Mansueto believes his compensation as our chief executive officer should be realized primarily through appreciation in the long-term value of our common stock. Accordingly, at his request, he doesn t participate in our equity or cash-based incentive programs. In addition, since resuming his role as our chief executive officer in 2000, his annual salary has been fixed at $100,000. While the Compensation Committee has the discretion to review and make recommendations to the Board concerning Joe s compensation, we expect that his salary will remain at $100,000 per year for the foreseeable future.

Elements of our Compensation Program

Our compensation program currently consists of two main elements: cash compensation, including annual base salary and annual bonus, and equity-based compensation.

Cash Compensation

We pay cash compensation in the form of base salary and bonuses under the Incentive Plan. We include bonuses in the compensation package because they permit the Compensation Committee to provide incentives to support its goal of helping to enhance the intrinsic value of our company. We describe each component of cash compensation in more detail below.

Base Salary. The Compensation Committee reviews the base salaries of our executive officers annually at its meeting in November. The Compensation Committee makes recommendations to the Board concerning chief executive officer compensation. With the exception of Joe Mansueto, the Compensation Committee typically makes adjustments to executive officer base salary every few years to maintain market competitiveness.

Bonus Plan. The Board adopted the Incentive Plan, which rewards participants for meeting and exceeding annual performance goals approved by the Compensation Committee. As noted above, Joe Mansueto does not participate in the Incentive Plan. The Compensation Committee reviews and approves variable pay awards to our other executive officers based on the individual s business and financial achievements as well as feedback from our chief executive officer about the individual s performance and overall contribution to the company. Bonus amounts paid to all other employees are subject to the approval of Joe Mansueto, Tao Huang, and Martha Dustin Boudos.

With the exception of Joe, variable incentive pay makes up the largest portion of the cash compensation our named executive officers receive. We believe that as an executive takes on more responsibility at Morningstar, a greater percentage of his or her total compensation should be tied to incentive pay. Joe, Tao, and Martha, along with the Compensation Committee, review the Incentive Plan each year to assess its effectiveness in meeting the goal of enhancing the intrinsic value of our company.

We use EBIT as the measure of financial success for reward under the Incentive Plan. The Compensation Committee approves annual EBIT targets. The size of the bonus pool available for a business unit is a function of the current year s performance relative to its prior-year EBIT. Once we determine the pool for a business, the managers for that business allocate the pool among their employees. In making these allocations, managers consider the individual contributions of each employee. We do not guarantee bonuses for employees at any level, even if a bonus pool is available.

We distinguish between mature and start-up businesses in determining bonus measures. For mature businesses, we base the size of the bonus pool on EBIT growth. For start-up businesses, we base the size of the bonus pool on achievement of actual EBIT over budgeted EBIT. We use budgeted EBIT for our start-up businesses (as opposed to prior-year EBIT) to allow for flexibility in funding requirements and expected progress towards profitability. A portion of the bonus pool for each of our businesses is based on Morningstar s overall profitability. The pool for employees who work at the corporate level and not as part of any particular business unit is based on Morningstar s overall profitability. We have EBIT floors for the relevant bonus pools. If EBIT is less than the floor for the relevant business, we do not pay a bonus for participants who work in that business, except for the portion based on Morningstar s overall profitability.

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Morningstar retains a portion of each annual bonus pool for one year to encourage continued positive results in the following year. We pay the deferred amount only if the company and business unit both meet the performance goals established for the following year. Deferred payments are paid with one year s interest at a blended 13 week Treasury Bill rate as adjusted on January 1 and July 1.

In February 2007, the Compensation Committee reviewed the annual EBIT targets and determined that the company and business units exceeded their targets in 2006. The Compensation Committee, based on Joe s recommendation, awarded 2006 incentive bonuses of $625,467 for Martha Dustin Boudos, $525,000 for Catherine Gillis Odelbo, $925,000 for Tao Huang, and $1,025,000 for Patrick Reinkemeyer. Of the $3,100,467 awarded to our named executive officers, $620,093 was deferred for payment if the company meets 2007 performance goals.

Equity-Based Compensation

We maintain the Stock Incentive Plan, which replaced our previous stock option plans. The Stock Incentive Plan provides for grants of options, stock appreciation rights, restricted stock, restricted stock units, and performance shares. All of our employees are eligible for awards under the Stock Incentive Plan. Joe Mansueto does not participate in the Stock Incentive Plan. Awards may also be made to our non-employee directors and consultants.

Equity awards that vest over time are an important component of how we reward our executive officers and other employees. We believe equity awards can help align the economic interests of our executive officers with those of our shareholders. Therefore, we intend that equity awards to our executive officers make up a meaningful portion of their total compensation. We also consider an individual s level of responsibility within the company and business performance when determining grant size. Some form of equity, mostly options, has been granted to senior management since the inception of Morningstar s first stock incentive plan.

In 2006, we began awarding restricted stock units. A restricted stock unit is an agreement to issue shares of stock at the time the recipient satisfies a vesting period. Restricted stock units are similar in many respects to restricted stock, which is issued when the award is first made, but subject to forfeiture if the restricted stock does not vest. Restricted stock units are easier to administer than restricted stock and don t result in immediate dilution for other shareholders because the shares are not issued until the units vest.

We believe that restricted stock units are attractive for at least two reasons. First, we use a value-based approach to equity-based compensation, which means our goal when we issue an equity-based award is to deliver an award that has a specific value at the time of grant. Second, unlike options, restricted stock units never go out of the money, so they retain some intrinsic value and therefore provide incentives under all scenarios. Nevertheless, there may be times when we will elect to award stock options and not restricted stock units because of the additional leverage or other characteristics that distinguish stock options from restricted stock units.

We pay a substantial portion of executive officer compensation in the form of equity awards because the Compensation Committee believes that equity awards can help align the economic interests of our executive officers with those of our shareholders. The amount of equity-based compensation that we provide to each executive officer in a given year is generally based on the executive officer s level of responsibility within the company and business performance.

In 2006, the Compensation Committee granted restricted stock units to our named executive officers with a value equal to approximately $1,449,500, with the value of each unit being deemed equal to $44.47, the closing transaction price of a share of our common stock as reported by the Nasdaq Stock Market on May 14, 2006 (the last trading day before the effective date of the grant). The Compensation Committee granted restricted stock units with a value equal to approximately $362,386 to

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Martha Dustin Boudos, $226,486 to Catherine Gillis Odelbo, $543,557 to Tao Huang, and $317,071 to Patrick Reinkemeyer. Each restricted stock unit vests in four equal annual installments commencing on the first anniversary of the grant date.

The Compensation Committee believes that its current compensation program for executive officers strikes the correct balance. This mix of equity and cash compensation gives our executive officers a substantial alignment with shareholders, while also permitting the Compensation Committee to provide incentives for our executive officers to enhance the intrinsic value of our company.

Practices Regarding the Grant of Equity Awards

The Compensation Committee makes equity grants once each quarter, with non-employee directors, executive officers, and most other employees typically receiving a grant in May. Grants made in other quarters are primarily for new-hires or retention purposes. Equity grants are made following the issuance of our quarterly or year-end earnings press release. The Compensation Committee believes it s appropriate that awards be made at a time when material information regarding our performance for the quarter or year has been disclosed.

All restricted stock unit awards granted to our executive officers, or any of our other employees or directors, are made under the Stock Incentive Plan, with the value of each unit being deemed equal to the closing transaction price of a share of our common stock as reported by the Nasdaq Stock Market on the last trading day before the effective date of grant. Other than awards granted to our non-employee directors, each restricted stock unit vests in four equal annual installments beginning on the first anniversary of the grant date. Each restricted stock unit award granted to our non-employee directors vests in three equal annual installments commencing on the first anniversary of the grant date.

Employment Agreements, Change in Control Arrangements, and Deferred Compensation

We do not have any employment agreements, termination agreements, or change-in-control agreements with any of our executive officers.

If there is a change in control of Morningstar (within the meaning of the Stock Incentive Plan), the Compensation Committee can vest or make exercisable, as the case may be, unvested or not yet exercisable awards granted under the Stock Incentive Plan. If there had been a change in control of Morningstar on December 31, 2006, and the Compensation Committee took that action, the market value on that date of the shares subject to unvested restricted stock units that would have vested for the benefit of each of our named executive officers would have been: Joe Mansueto $0; Martha Dustin Boudos $367,112; Catherine Gillis Odelbo $229,440; Tao Huang $550,646; and Patrick Reinkemeyer $321,207; and the spread (i.e., the difference between the market value and exercise price of shares subject to a stock option) on that date attributable to stock options that would have been made exercisable for the benefit of each of our named executive officers would have been: Joe Mansueto $0; Martha Dustin Boudos $2,922,500; Catherine Gillis Odelbo $1,347,763; Tao Huang $3,320,000; and Patrick Reinkemeyer $3,064,388.

Other than our 401(k) plan, we do not have any plans that permit the deferral of salary or bonus. We have a deferred compensation agreement with Don Phillips, one of our executive officers. See Certain Relationships and Related Party Transactions Deferred Compensation Agreement with Don Phillips for a description of that agreement.

Each person who receives restricted stock units (including directors and executive officers) is permitted to defer receipt of the stock that would otherwise be issued when the restricted stock units vest except where it is prohibited by local tax law or not practical.

Perquisites and Personal Benefits

We seek to create standards for our facilities and operations that are strongly tied to our core values and mission. Our office environment is based on an open plan approach, without traditional offices, that emphasizes equality, collaboration, and teamwork. We use this design at our corporate headquarters and intend to expand it to other areas as we open or redesign other offices. Our executive officers operate under the same standards as other employees. Our health care insurance and other welfare and employee-benefit programs are the same for all eligible employees, including our executive officers. We do not have programs for providing personal-benefit perquisites to executive officers, such as permanent lodging or defraying the cost of personal entertainment or family travel, nor do we own or lease aircraft. We do not have loan programs, although our 401(k) plan does permit participants to borrow money against their accounts. We do not have any outstanding loans of any kind to any of our executive officers.

Stock Ownership Requirements

The Board has adopted stock ownership requirements for our executive officers and directors. These guidelines are designed to encourage our executive officers and directors to increase their equity stakes in Morningstar and more closely link their economic interests with those of our shareholders. We require each of our executive officers and directors to hold a total number of shares, exercisable stock options, and vested restricted stock units equal to at least 25% of the total number of exercisable stock options and vested restricted stock units that he or she has been granted, excluding stock options that were exercised before our initial public offering.

Tax Deductibility for Certain Compensation in Excess of $1.0 Million

Section 162(m) of the Internal Revenue Code precludes publicly traded companies from deducting compensation in excess of $1.0 million paid to a named executive officer other than compensation that is qualified as being performance-based compensation under the relevant Internal Revenue Service regulations. Subject to certain limitations that we do not currently anticipate being relevant, Morningstar will not be subject to 162(m) until our annual shareholders meeting to be held in 2009. The Compensation Committee does not have a policy with respect to 162(m) at this time and expects to consider this issue closer in time to when the requirement will apply to Morningstar.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on the review and discussions, the Compensation Committee has recommended to the Board the inclusion of the Compensation Discussion and Analysis in Morningstar s proxy statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Compensation Committee

Steve Kaplan, Chair

Jack Noonan

Paul Sturm

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or the compensation committee of any other company that has one or more executive officers serving as a member of our Board or compensation committee.

Executive Compensation

The following table shows compensation for our chief executive officer, chief financial officer, and our three most highly compensated executive officers (the named executive officers) in 2006.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus1	Stock Awards2	Option Awards3	Non-Equity Incentive Plan Compensation4	All Other Compensation5	Total
Joe Mansueto Chairman and Chief Executive Officer	2006	$ 100,000	$	$	$	$	$ 7,020	$ 107,020
Martha Dustin Boudos Chief Financial Officer	2006	250,000	500,374	56,623	422,736	83,616	15,207	1,328,556
Catherine Gillis Odelbo President, Individual Business	2006	200,000	420,000	35,388	188,435	83,616	15,168	942,607
Tao Huang Chief Operating Officer	2006	275,000	740,000	84,930	452,917	127,765	15,226	1,695,838
Patrick Reinkemeyer President, Morningstar Associates	2006	225,000	820,000	49,542	445,839	104,520	15,020	1,659,921

(1) Bonus payments are made under the Incentive Plan. A portion of the annual bonus is paid only if applicable company or business unit performance targets for the following year are also met. If the targets are met, all of the deferred cash bonus amounts will be paid. If the targets are not met, none of the deferred cash bonus amounts will be paid. Deferred cash bonus amounts are not reflected in the bonus column. When paid, these amounts are shown in the Non-Equity Incentive Plan Compensation column for the second year of the two-year performance period. See Compensation Discussion and Analysis for a more detailed description of the Incentive Plan. Deferred cash bonus amounts earned in 2006 but subject to meeting 2007 performance targets for the named executive officers, other than Joe Mansueto, who does not participate in the Incentive Plan, are shown in the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column of the 2006 Grants of Plan-Based Awards table beginning on page 20 of this Proxy Statement.

(2) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2006 for restricted stock unit awards as determined pursuant to SFAS No. 123(R). These compensation costs reflect restricted stock unit awards granted in 2006. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating this amount. For further information on these awards, see the 2006 Grants of Plan-Based Awards table beginning on page 20 of this Proxy Statement.

(3) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2006 for option awards as determined pursuant to SFAS No. 123(R). These compensation costs reflect option awards granted prior to 2006. We did not grant stock options to the named executive officers in 2006. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating this amount.

(4) Amounts shown consist of deferred cash bonus amounts under the Incentive Plan that were paid for meeting performance targets for both 2005 and 2006. If targets for both years had not been met, the amounts would not have been paid. Deferred payments include one year s interest at a blended 13 week Treasury Bill rate as adjusted on January 1 and July 1.

(5) Amounts shown consist of matching contributions to our 401(k) plan for the year ended December 31, 2006 in the following amounts: Joe Mansueto $7,000; Martha Dustin Boudos $15,000; Catherine Gillis Odelbo $15,000; Tao Huang $15,000; and Patrick Reinkemeyer $15,000; and amounts paid for basic life insurance and accidental death and dismemberment insurance as follows: Joe Mansueto $20; Martha Dustin Boudos $207; Catherine Gillis Odelbo $168; Tao Huang $226; and Patrick Reinkemeyer $20.

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2006 Grants of Plan-Based Awards

The following table shows information concerning the grant of plan-based awards in 2006 to each of our named executive officers.

	Grant Date	Approval Date1	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Target2	All Other Stock Awards: Number of Shares of Stocks or Units3	Grant Date Fair Value of Stock Awards
Joe Mansueto			$		$
Martha Dustin Boudos	May 15, 2006	May 9, 2006	125,093	8,149	362,386
Catherine Gillis Odelbo	May 15, 2006	May 9, 2006	105,000	5,093	226,486
Tao Huang	May 15, 2006	May 9, 2006	185,000	12,223	543,557
Patrick Reinkemeyer	May 15, 2006	May 9, 2006	205,000	7,130	317,071

(1) On May 9, 2006 the Compensation Committee approved a grant of restricted stock units for the named executive officers, other than Joe Mansueto, who does not participate in the Stock Incentive Plan. The Compensation Committee designated May 15, 2006 as the grant date of each restricted stock unit approved at the meeting.

(2) Amounts shown consist of deferred cash bonus amounts earned in 2006 but subject to meeting 2007 performance targets for the named executive officers, other than Joe Mansueto, who does not participate in the Incentive Plan. See Compensation Discussion and Analysis for a more detailed description of the Incentive Plan.

(3) Amounts shown consist of restricted stock units granted under the Stock Incentive Plan. These restricted stock units vest in four equal annual installments beginning May 15, 2007.

2006 Outstanding Equity Awards at Fiscal Year-End

The following table shows certain information concerning outstanding equity awards for our named executive officers as of December 31, 2006.

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units That Have Not Vested
Joe Mansueto			$			$
Martha Dustin Boudos					8,1491	367,112
	1,000		2.77	December 31, 2008		
	3,702		10.98	June 30, 2009		
	3,393		10.98	December 1, 2009		
	17,500		14.13	May 1, 2010		
	40,000		14.13	March 5, 2011		
	7,500		14.13	May 1, 2011		
	50,000		10.95	May 1, 2012		
		25,000[2]	8.57	May 1, 2013		
	40,000	40,000[3]	14.704	December 1, 2014		
	10,000	30,000[5]	18.506	May 2, 2015		
Catherine Gillis Odelbo					5,0931	229,440
	90,000		2.77	June 30, 2008		
	7,500		14.13	May 1, 2010		
	15,000		14.13	May 1, 2011		
		2,500[2]	8.57	May 1, 2013		
	25,000	25,000[3]	14.704	December 1, 2014		
	6,250	18,750[5]	18.506	May 2, 2015		
Tao Huang					12,2231	550,646
	750,000		10.98	January 3, 2010		
	10,000		14.13	May 1, 2010		
	500,000		14.13	March 5, 2011		
	2,500		10.95	May 1, 2012		
	10,000	12,500[2]	8.57	May 1, 2013		
	55,000	55,000[3]	14.704	December 1, 2014		
		45,000[5]	18.506	May 2, 2015		

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units That Have Not Vested
Patrick Reinkemeyer			$		7,1301	$ 321,207
	14,000		2.00	December 31, 2007		
	1,104		2.77	June 30, 2008		
	1,218		2.77	December 1, 2008		
	15,000		2.77	December 31, 2008		
	3,138		10.98	June 30, 2009		
	3,564		10.98	December 1, 2009		
	17,500		14.13	May 1, 2010		
	50,000		14.13	March 5, 2011		
	15,000		14.13	May 1, 2011		
	10,000		10.95	May 1, 2012		
	7,500	2,5002	8.57	May 1, 2013		
	75,000	75,0003	14.704	December 1, 2014		
	8,750	26,2505	18.506	May 2, 2015		

(1) These restricted stock units vest in four equal annual installments beginning May 15, 2007.

(2) These options become exercisable in four equal annual installments beginning May 1, 2004.

(3) These options become exercisable in four equal annual installments beginning May 1, 2005.

(4) The initial exercise price of $14.70 will increase over the term of the options at a rate equal to the 10-year Treasury yield rate as of the date of grant.

(5) These options become exercisable in four equal annual installments beginning May 2, 2006.

(6) The initial exercise price of $18.50 will increase over the term of the options at a rate equal to the 10-year Treasury yield rate as of the date of grant.

2006 Option Exercises

The following table shows certain information concerning the exercise of stock options during the year ended December 31, 2006 by our named executive officers.

		Option Awards
	Number of Shares Acquired on Exercise	Value Realized on Exercise
Joe Mansueto		$
Martha Dustin Boudos	147,251	4,434,822
Catherine Gillis Odelbo	71,165	2,800,888
Tao Huang	146,646	5,526,959
Patrick Reinkemeyer	1,000	43,200

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Equity Compensation Plan Information

The following table includes certain information as of December 31, 2006 regarding our equity incentive plans.

	Shares Covered by Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Shares Available (Excluding Shares Covered by Outstanding Options)
Equity incentive plans approved by shareholders	8,969,904	$ 12.10	2,827,006
Equity incentive plans not approved by shareholders	0		0
Total	8,969,904	$ 12.10	2,827,006

Audit Committee Report

The ultimate responsibility for good corporate governance rests with the Board, whose primary roles are providing oversight, counseling, and direction to our management team in the best long-term interests of the company and its shareholders. The Audit Committee has been established for the purpose of overseeing Morningstar s accounting and financial reporting processes, audits of Morningstar s annual financial statements, and internal control over financial reporting.

The Audit Committee is made up solely of independent directors, as defined under NASDAQ and SEC rules, and it operates under a written charter adopted by the Board, a copy of which is posted on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section. Morningstar intends for the composition of the Audit Committee, the attributes of its members, and its responsibilities as reflected in its charter, to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. The Board last revised the charter in February 2007.

As described more fully in its charter, the purpose of the Audit Committee is to assist the Board in its general oversight of Morningstar s financial reporting, audit functions, and internal control over financial reporting. Management is responsible for preparing, presenting, and maintaining the integrity of Morningstar s financial statements; establishing and maintaining accounting and financial reporting principles and internal controls; and following procedures designed to reasonably assure compliance with accounting standards, applicable laws, and regulations. Morningstar has a full-time Internal Audit department that reports to the Audit Committee. This department is responsible for objectively reviewing and evaluating the adequacy, effectiveness, and quality of Morningstar s system of internal controls relating, for example, to the reliability and integrity of Morningstar s financial information and the safeguarding of Morningstar s assets. Morningstar s independent registered accounting firm is responsible for performing an independent audit of Morningstar s consolidated financial statements in accordance with generally accepted auditing standards, expressing an opinion on management s assessment of the effectiveness of Morningstar s internal control over financial reporting, and expressing its own opinion on the effectiveness of Morningstar s internal control over financial reporting.

The Audit Committee has the authority and responsibility to select, compensate, evaluate and, when appropriate, replace Morningstar s independent registered accounting firm. In 2005, the Audit Committee selected Ernst & Young to replace Deloitte as Morningstar s independent registered accounting firm beginning with the audit of Morningstar s consolidated financial statements for the fiscal year ending December 31, 2006. See Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm for a more complete discussion of this matter. The Audit Committee may engage its own outside advisors, including experts in particular areas of accounting, as it determines appropriate.

Among other matters, the Audit Committee monitors the activities and performance of Morningstar s internal and independent auditors, including the audit scope, external audit fees, auditor independence, and the extent to which the independent audit firm may be retained to perform non-audit services. Ernst & Young provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit Committee also discussed Ernst & Young s independence with Ernst & Young and management.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent audit firm, nor can the Audit Committee certify that the independent audit firm is indeed independent under applicable rules. The Audit Committee serves a board-level oversight role. It provides advice, counsel, and direction to management and the auditors based on the information it receives, discussions with management and the auditors, and the experience of its members in business, financial, and accounting matters.

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The Audit Committee has an agenda for the year that includes reviewing Morningstar s financial statements, internal control over financial reporting, and audit matters. The Audit Committee meets each quarter with the independent audit firm and management to review Morningstar s interim financial results before the publication of Morningstar s quarterly earnings press releases. Management and the independent audit firm review and discuss with the Audit Committee various topics and events that may have significant financial impact on Morningstar. Management and the independent audit firm also review with the Audit Committee matters discussed between them. In addition, the Audit Committee generally oversees Morningstar s internal compliance programs. In accordance with law, the Audit Committee is responsible for establishing procedures for handling complaints received by Morningstar regarding accounting, internal controls, or auditing matters. This includes setting up procedures to allow Morningstar employees to submit any concerns they may have regarding questionable accounting or auditing matters in a confidential, anonymous manner.

In accordance with Audit Committee policy and the requirements of law, the Audit Committee pre-approves all services to be provided by the independent audit firm, including audit services, audit-related services, tax services, and other services. In some cases, the full Audit Committee provides pre-approval for up to a year, related to a particular defined task or scope of work and subject to a specific budget. The Audit Committee has authorized its Chair to pre-approve additional services and, if the Chair pre-approves a service pursuant to this authority, she reviews the matter with the full Audit Committee at its next regularly scheduled meeting. To avoid potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its independent audit firm. Morningstar obtains these services from other firms as needed.

The Audit Committee has reviewed and discussed with management and representatives of Ernst & Young Morningstar s consolidated financial statements for the fiscal year ended December 31, 2006, management s assessment of the effectiveness of Morningstar s internal control over financial reporting, and Ernst & Young s evaluation of Morningstar s internal control over financial reporting. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles; and Ernst & Young represented that its presentations included the matters that the Audit Committee and the independent registered public accounting firm are required to discuss pursuant to Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees. This review included a discussion with management of the quality, not merely the acceptability, of Morningstar s accounting principles; the reasonableness of significant estimates and judgments; and the clarity of disclosure in Morningstar s financial statements, including the disclosures related to critical accounting estimates. Based on these views and other discussions, and Ernst & Young s reports, the Audit Committee has recommended to the Board the inclusion of the audited financial statements in Morningstar s Annual Report on Form 10-K for the year ended December 31, 2006.

Audit Committee

Cheryl Francis, Chair

Steve Kaplan

Paul Sturm

Principal Accounting Firm Fees

The following tables show the fees that we paid or accrued for audit and other services provided to us by Ernst & Young LLP, our 2006 principal accounting firm, and Deloitte & Touche LLP, our 2005 principal accounting firm, for fiscal years 2006 and 2005.

	2006 Ernst & Young LLP	2005 Deloitte & Touche LLP
Audit Fees	$ 948,685	$ 793,650
Audit-Related Fees	48,200	
Tax Fees	950	374,635
All Other Fees	3,500	
Total	$ 1,001,335	$ 1,168,285

Audit Fees

This category includes the fees paid or accrued in connection with our initial public offering in 2005, the audit of our annual financial statements and in 2006 the audit of our internal control over financial reporting, review of financial statements included in our quarterly reports on Form 10-Q, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes advice on accounting matters that arose during, or as a result of, the audit or the review of interim financial statements and statutory audits required in jurisdictions outside the United States.

Audit-Related Fees

This category consists of assurance and related services that are normally provided by the independent registered public accounting firm including, due diligence related to mergers and acquisitions and accounting consultations and audits performed in connection with acquisitions.

Tax Fees

This category consists of tax services generally for tax compliance and tax preparation. In 2006, $950 was for tax compliance and preparation services in certain overseas jurisdictions. In 2005, $240,635 was for tax compliance and preparation services, including the preparation of original and amended tax returns, claims for refunds, support during income tax audits or inquiries, and tax payment planning in certain overseas jurisdictions. The remaining $134,000 was for tax advice and tax studies.

All Other Fees

This category includes the fees paid for a subscription to an online accounting research tool provided by Ernst & Young.

Certain Relationships and Related Party Transactions

Review and Approval of Related Party Transactions

Our Code of Ethics is designed to help our directors, executive officers, and other employees address situations that may involve a conflict of interest, including situations in which his or her personal interests are in conflict with the interests of the company, situations in which he or she, or member of his or her family receive personal benefits as a result of his or her position with the company, and situations that otherwise may cast doubt on his or her ability to act with objectivity in his or her dealings with or on behalf of the company.

The Nominating and Corporate Governance Committee Charter requires that the Nominating and Corporate Governance Committee review potential conflicts of interests of prospective and current directors. Under our Corporate Governance Guidelines, if an actual or potential conflict of interest develops for any reason, including, without limitation, because of a change in our business operations, or in a director s circumstances, the director should immediately report that matter to our General Counsel for evaluation. Our General Counsel has the discretion to report any actual or potential conflicts to the Chair of the Nominating and Corporate Governance Committee and is required to report to the Chair all conflicts that would require disclosure as a related party transaction or involves a relationship with a competitor. If a significant conflict cannot be resolved, the director may be expected to resign.

The Audit Committee Charter requires that the Audit Committee review all related party transactions involving directors and executive officers. In addition, the Board reviews the independence of each director on an annual basis. As part of this process, the Board reviews and discusses information provided by the directors and management about each director s business and personal activities as they relate to the company. Related party transactions are disclosed to all directors during this process. See Board of Directors and Corporate Governance Independent Directors for additional information about the Board s independence review.

Relationships with Morgan Stanley

As described in the beneficial ownership table beginning on page 12 of this Proxy Statement, Morgan Stanley holds, on behalf of itself and its clients for whom it has taken investment discretion, 6.01% of our common stock. The company has a wide variety of commercial relationships with Morgan Stanley, the most significant of which are as follows: we provide our equity research to Morgan Stanley under the terms of the Global Analyst Research settlement; we provide Licensed Data and Investment Consulting services to Morgan Stanley; Morgan Stanley licenses a portion of Advisor Workstation; and Morgan Stanley provides brokerage and execution services related to our stock option program. We recorded revenue of approximately $5.1 million from Morgan Stanley in 2006.

Deferred Compensation Agreement with Don Phillips

In February 1999, Don Phillips held options to acquire 1,500,000 shares of our common stock with an exercise price of $0.075 per share. Under the terms of the options, which were granted to him in 1989 and scheduled to expire in 1999, he had the ability to exercise the options at an aggregate exercise price of $112,500. Rather than require him to exercise the options and potentially obligate ourselves to repurchase his shares, we entered into an arrangement with him under which the options granted to him in 1989 were permitted to expire and we granted him new options to purchase 1,500,000 shares of our common stock at an exercise price of $2.77 per share.

To compensate Don Phillips for the $2.69 per share increase in exercise price between his expired and new options, we entered into a deferred compensation agreement dated February 15, 1999 that obligates us, subject to certain limitations, to pay him $2.69 for each share of our common stock that he acquires upon exercise of the options that we granted to him in 1999. At our

election, this payment may be made in cash or shares of our common stock. If at the time he becomes entitled to a payment, the fair market value of our stock is below $2.77 per share, the amount of deferred compensation payable to him will be reduced proportionately based on the percentage that the then-current fair market value of a share of our common stock represents of $2.77. As of December 31, 2006, he had exercised 789,826 of the options granted to him in 1999, for which he received total deferred compensation of $2.1 million, of which $51,000 of this deferred compensation amount was paid to him in the first quarter of 2007. As of December 31, 2006, he held 710,174 of these options, for which up to $1.9 million of deferred compensation remains payable.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, among others, to file with the SEC an initial report of ownership of our stock on a Form 3 and reports of changes in ownership on a Form 4 or a Form 5. Persons subject to Section 16 are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. Under SEC rules, certain forms of indirect ownership and ownership of company stock by certain family members are covered by these reporting requirements. As practical matter, we assist our executive officers and directors in preparing initial ownership reports and reporting ownership changes and typically file these reports on their behalf.

Based solely on a review of the copies of such forms in our possession, and on written representations from our directors and executive officers, we believe that during 2006, all of our executive officers and directors filed the required reports on a timely basis under Section 16(a) except that because of a clerical error, Steve Kaplan filed a late Form 4 reporting an option exercise.

Shareholder Proposals or Nominations

Any proposal that a shareholder wishes to include in our proxy statement for presentation at our 2008 annual meeting must be received by us no later than December 12, 2007. The shareholder proposal must be submitted, along with proof of ownership of our stock in accordance with Exchange Act Rule 14a-8(b)(2), to our principal executive offices, in care of our General Counsel and Corporate Secretary, by mail to Richard E. Robbins, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. We suggest that the proposal be submitted by certified mail return receipt requested. We strongly encourage any shareholder interested in submitting a proposal to contact our General Counsel and Corporate Secretary in advance of this deadline to discuss the proposal. Shareholders may want to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws. Submitting a shareholder proposal does not guarantee that we will include it in our proxy statement.

Shareholders who intend to nominate a director or present a proposal at our 2008 annual meeting without seeking to include the proposal in our proxy statement must provide us notice of the proposal or nomination no earlier than November 12, 2007 and no later than December 12, 2007. The notice must be made by a registered shareholder on its behalf or on behalf of the beneficial owner of shares and must include certain information specified in our by-laws, a copy of which is posted on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section, concerning the proposal or nomination, as the case may be, and information as to the shareholder s ownership of our stock. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any nomination or proposal that does not comply with these and other applicable requirements. The proposal or nomination must be submitted to our principal executive offices, in care of our General Counsel and Corporate Secretary, by mail to Richard E. Robbins, Morningstar, Inc., 225 West Wacker Drive,

Chicago, Illinois 60606. We suggest that the proposal or nomination be submitted by certified mail return receipt requested. Shareholders may want to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws.

The Nominating and Corporate Governance Committee will review all shareholder proposals and nominations and will make recommendations to the Board for action on any such proposals or nominations. For information on recommending individuals for consideration as nominees through our Nominating and Corporate Governance Committee, see Board of Directors and Corporate Governance Nominating and Corporate Governance Committee.

Obtaining Our Financial Statements

Our financial statements for the year ended December 31, 2006 are included in our 2006 Annual Report to Shareholders, which we are sending to our shareholders at the same time as this proxy statement. Additional copies of our 2006 Annual Report and this proxy statement can be obtained by calling our Investor Relations department at (312) 696-6621. Our 2006 Annual Report and this proxy statement are available on the Internet at http://global.morningstar.com/US/InvestorRelations.

Communicating With Us

We encourage all interested parties including securities analysts, potential shareholders, and others to submit questions to us in writing. If you have a question about our business, please contact us by (1) sending an e-mail message to investors@morningstar.com, (2) sending a fax to (312) 696-6009, or (3) sending a letter to Morningstar, Inc., Attention: Investor Relations, 225 West Wacker Drive, Chicago, Illinois 60606. We will make written responses to selected inquiries available to all investors at the same time in Form 8-K reports furnished to the Securities and Exchange Commission on the first Friday of every month.

Our Investor Relations Web site, located at http://global.morningstar.com/US/InvestorRelations, contains press releases, earnings releases, and financial information, as well as corporate governance information and links to our SEC filings. If you would like to receive information such as our latest investor information kit or annual report, please send your request to investors@morningstar.com.

Morningstar, Inc.
225 West Wacker Drive
Chicago
Illinois, 60606

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

x

Annual Meeting Proxy Card

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2.

1. Election of Directors

	For	Withhold		For	Withhold
01 - Joe Mansueto	o	o	02 - Don Phillips	o	o
03 - Cheryl Francis	o	o	04 - Steve Kaplan	o	o
05 - Jack Noonan	o	o	06 - Frank Ptak	o	o
07 - Paul Sturm	o	o			

	For	Against	Abstain
2. Ratification of the appointment of Ernst & Young LLP as Morningstar s independent registered public accounting firm for 2007.	o	o	o

B Non-Voting Items

Change of Address Please print your new address below.

Meeting Attendance
Mark the box to the right if you plan to attend the Annual Meeting. o

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.	Signature 1 - Please keep signature within the box	Signature 2 - Please keep signature within the box

Proxy Morningstar, Inc.

Proxy for Annual Meeting of Shareholders

May 22, 2007

9:00 a.m.

The University of Chicago Gleacher Center, Room 621

450 North Cityfront Plaza Drive

Chicago, Illinois 60611

This proxy is solicited by the Board of Directors for use at the Annual Meeting on May 22, 2007.

The shares of stock you hold in your account will be voted as you specify on the reverse side.

If no choice is specified, the proxy will be voted FOR Items 1 and 2 and in the discretion of the proxyholders on any other matter that properly comes before the meeting.

By signing the proxy, you revoke all prior proxies and appoint Martha Dustin Boudos and Richard E. Robbins, or either of them, with full power of substitution to vote your shares on the matters shown on the reverse side and any others matters as may properly come before the Annual Meeting and all adjournments.

(Continued and to be voted on reverse side.)