

Morningstar, Inc.
Form 4
September 26, 2006

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Phillips Donald James II

(Last) (First) (Middle)

C/O MORNINGSTAR, INC., 225 WEST WACKER DRIVE

(Street)

CHICAGO, IL 60606

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Morningstar, Inc. [MORN]

3. Date of Earliest Transaction (Month/Day/Year)
09/25/2006

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

Managing Director

6. Individual or Joint/Group Filing (Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	09/25/2006		M		5,000	A	\$ 2.77
Common Stock	09/25/2006		S(1)		47	D	\$ 36.33
Common Stock	09/25/2006		S(1)		140	D	\$ 36.34
Common Stock	09/25/2006		S(1)		217	D	\$ 36.35
Common Stock	09/25/2006		S(1)		94	D	\$ 36.36
					204,257	D	
					204,210	D	
					204,070	D	
					203,853	D	
					203,759	D	

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Common Stock	09/25/2006	<u>S(1)</u>	64	D	\$ 36.38	203,695	D
Common Stock	09/25/2006	<u>S(1)</u>	94	D	\$ 36.4	203,601	D
Common Stock	09/25/2006	<u>S(1)</u>	140	D	\$ 36.41	203,461	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.42	203,414	D
Common Stock	09/25/2006	<u>S(1)</u>	123	D	\$ 36.45	203,291	D
Common Stock	09/25/2006	<u>S(1)</u>	234	D	\$ 36.46	203,057	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.47	203,010	D
Common Stock	09/25/2006	<u>S(1)</u>	187	D	\$ 36.48	202,823	D
Common Stock	09/25/2006	<u>S(1)</u>	319	D	\$ 36.5	202,504	D
Common Stock	09/25/2006	<u>S(1)</u>	158	D	\$ 36.51	202,346	D
Common Stock	09/25/2006	<u>S(1)</u>	140	D	\$ 36.52	202,206	D
Common Stock	09/25/2006	<u>S(1)</u>	46	D	\$ 36.525	202,160	D
Common Stock	09/25/2006	<u>S(1)</u>	234	D	\$ 36.53	201,926	D
Common Stock	09/25/2006	<u>S(1)</u>	94	D	\$ 36.54	201,832	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.585	201,785	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.59	201,738	D
Common Stock	09/25/2006	<u>S(1)</u>	94	D	\$ 36.6	201,644	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.6033	201,597	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.6524	201,550	D
Common Stock	09/25/2006	<u>S(1)</u>	47	D	\$ 36.66	201,503	D
	09/25/2006	<u>S(1)</u>	94	D		201,409	D

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Common Stock					\$			
						36.6624		
Common Stock	09/25/2006		S ⁽¹⁾	94	D	\$ 36.67	201,315	D
Common Stock	09/25/2006		S ⁽¹⁾	47	D	\$ 36.6743	201,268	D
Common Stock	09/25/2006		S ⁽¹⁾	46	D	\$ 36.685	201,222	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Employee Stock Option (Right to Buy)	\$ 2.77	09/25/2006		M	5,000 (2)	(3) 02/15/2009	Common	5,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Phillips Donald James II C/O MORNINGSTAR, INC. 225 WEST WACKER DRIVE CHICAGO, IL 60606	X		Managing Director	

Signatures

/s/ Rachel Felsenthal, by power of
attorney

09/26/2006

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The sales reported on this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on May 9, 2006.
 - (2) Pursuant to the terms of a Deferred Compensation Agreement entered into between Morningstar, Inc. and the reporting person, upon the exercise of these options Morningstar, Inc. will pay to the reporting person \$2.69 per share in the form of cash.
 - (3) The options became immediately exercisable on the grant date, February 15, 1999.

Remarks:

Form 1 of 2

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.