Phillips Donald James II Form 4 August 30, 2006

FORM 4

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

OMB Number: 3235-0287

Check this box if no longer subject to Section 16.

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Expires: January 31, 2005

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OMB APPROVAL

Section 16. Form 4 or Form 5 obligations may continue. See Instruction

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

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1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * Phillips Donald James II			2. Issuer Name and Ticker or Trading Symbol Morningstar, Inc. [MORN]	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction	()		
C/O MORNINGSTAR, INC., 225 WEST WACKER DRIVE			(Month/Day/Year) 08/29/2006	_X_ Director 10% Owner _X_ Officer (give title Other (specify below) Managing Director		
	(Street)		4. If Amendment, Date Original	6. Individual or Joint/Group Filing(Check		
CHICAGO, IL 60606			Filed(Month/Day/Year)	Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting Person		

(City)	(State)	(Zip) Tab	le I - Non-l	Derivative	e Secu	rities Acqui	red, Disposed of,	or Beneficial	y Owned
1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. 4. Securities Acquired (A) Transactiomr Disposed of (D) Code (Instr. 3, 4 and 5) (Instr. 8)				5. Amount of 6. Securities Ownership Beneficially Form: Owned Direct (D) Following or Indirect Reported (I) Transaction(s) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
			Code V	Amount	or (D)	Price	(Instr. 3 and 4)		
Common Stock	08/29/2006		M	2,000	A	\$ 2.77	201,257	D	
Common Stock	08/29/2006		S <u>(1)</u>	242	D	\$ 37.01	201,015	D	
Common Stock	08/29/2006		S(1)	58	D	\$ 37.04	200,957	D	
Common Stock	08/29/2006		S(1)	100	D	\$ 37.07	200,857	D	
Common Stock	08/29/2006		S(1)	100	D	\$ 37.18	200,757	D	

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Common Stock	08/29/2006	S(1)	100	D	\$ 37.2179	200,657	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.3	200,557	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.33	200,457	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.3553	200,357	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.42	200,257	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.43	200,157	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.44	200,057	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.64	199,957	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.6506	199,857	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.73	199,757	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.82	199,657	D
Common Stock	08/29/2006	S(1)	164	D	\$ 37.89	199,493	D
Common Stock	08/29/2006	S(1)	100	D	\$ 37.8934	199,393	D
Common Stock	08/29/2006	S(1)	1	D	\$ 37.9	199,392	D
Common Stock	08/29/2006	S(1)	35	D	\$ 37.92	199,357	D
Common Stock	08/29/2006	S <u>(1)</u>	100	D	\$ 38.03	199,257	D

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

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SEC 1474 (9-02)

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

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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. Transacti Code (Instr. 8)	onof Derivative Securities		f Derivative Expiration Date ecurities (Month/Day/Year) cquired A) or isposed of D) nstr. 3, 4,		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Buy)	\$ 2.77	08/29/2006		M	2	2,000 (2)	<u>(3)</u>	02/15/2009	Common	2,000

Reporting Owners

Reporting Owner Name / Address	Relationships							
reporting 6 wher runne / runness	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 08/30/2006

**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.

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.

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