

MORNINGSTAR, INC.

FORM 8-K (Current report filing)

Filed 8/2/2006 For Period Ending 8/2/2006

Address	225 WEST WACKER DRIVE CHICAGO, Illinois 60606
Telephone	(312) 696-6000
CIK	0001289419
Industry	Computer Services
Sector	Technology
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 2, 2006**

MORNINGSTAR, INC.

(Exact name of registrant as specified in its charter)

Illinois
(State or other jurisdiction of incorporation)

000-51280
(Commission
File Number)

36-3297908
(I.R.S. Employer
Identification No.)

225 West Wacker Drive
Chicago, Illinois
(Address of principal executive offices)

60606
(Zip Code)

(312) 696-6000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On August 2, 2006, Morningstar, Inc. (“Morningstar”) entered into a Contract Services Agreement (the “Agreement”) with Mike Henkel, effective October 1, 2006, a copy of which is filed as Exhibit 10.1. Under the terms of the Agreement, Mr. Henkel will provide consulting services to Ibbotson Associates, a wholly owned subsidiary of Morningstar, for a nine-month period beginning October 1, 2006. Under the terms of the Agreement, he will be paid a consulting fee of \$11,111 per month during this period. The Agreement contains customary non-competition and non-solicitation provisions.

Item 8.01 Other Events.

On August 2, 2006, Morningstar issued a press release announcing the appointment of Peng Chen as president of Ibbotson Associates, a copy of which is filed as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Contract Services Agreement between Morningstar, Inc. and Mike Henkel dated August 2, 2006.
99.1	Press Release issued August 2, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MORNINGSTAR, INC.

Date: August 2, 2006

By: /s/ Martha Dustin Boudos

Name: Martha Dustin Boudos

Title: Chief Financial Officer

EXHIBIT INDEX

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CONTRACT SERVICES AGREEMENT

This Agreement is made as of August 2, 2006 by and between Morningstar, Inc., hereinafter referred to as "Morningstar" and Mike Henkel, hereinafter referred to as "Contractor" and shall become effective October 1, 2006.

1. SERVICES TO BE PROVIDED

For a period of nine (9) months, beginning October 1, 2006, Contractor is hereby retained to perform Consulting services for Morningstar's Ibbotson Advice and Consulting business from time to time on a limited basis and at mutually agreed times.

2. FEE

For all services rendered by Contractor under this Agreement, Morningstar shall pay Contractor a fee of \$11,111 dollars per month on the first business day of the month for each of the nine (9) months of the term hereof. Contractor shall be responsible for payment of all state and federal taxes in connection with performance of the services and receipt of compensation under this Agreement. Contractor will not be an employee of Morningstar and will not be entitled to any pay, benefits or other perquisites of employment that may be provided to Morningstar employees.

Contractor shall be responsible for the provision of routine supplies and payment of routine expenses incurred in connection with providing services under this Agreement. Reasonable non-routine expenses incurred on behalf of Morningstar such as out-of-town travel and long-distance telephone charges shall be reimbursed if approved in advance and supported by appropriate documentation.

3. INDEPENDENT CONTRACTOR STATUS

Contractor is retained by Morningstar only for purposes and to the extent set forth in this Agreement, and nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties upon the effectiveness hereof. Contractor shall be deemed at all times to be an independent contractor and neither party has the authority to bind the other to any third person or to otherwise act in any way as the representative of the other, unless otherwise expressly agreed to in writing signed by both parties hereto.

It is understood and agreed that Contractor has full dominion and control over the means by which the services are to be performed under this Agreement and that any approval by Morningstar of plans, methods or techniques or evaluation of the quality of services being provided shall not be construed to alter the independent contractor status.

4. OTHER WORK

Contractor may undertake for remuneration such other work, contracts or arrangements as the Contractor deems desirable provided that it does not materially interfere with the provision of services under this Agreement.

5. CUSTOMER CONTACT

All contact between Contractor and Morningstar customers or prospective customers in connection solely with the provision of services hereunder will be conducted through or with the prior approval of Morningstar's CEO or COO.

6. **RESTRICTIVE COVENANTS.**

Contractor acknowledges and agrees that the covenants described in this paragraph are essential terms of this Agreement and are necessary for the protection of the business interests of Morningstar, including but not limited to its Confidential Information and customer relationships, and that these covenants do not place undue restraint on Contractor's livelihood.

Non-Competition. While Contractor is providing services under this Agreement, Contractor will not engage directly or indirectly in the Prohibited Business. The term "Prohibited Business" shall mean (i) providing 401(k) investment advice services to plan providers as an independent expert and (ii) providing asset allocation and fund selection services to mutual fund of funds as an independent consultant. The limitations set forth in this Paragraph shall be applicable to Contractor acting as a proprietor, partner, joint venture, shareholder (other than as a shareholder of not more than 1% of the equity of any publicly traded company held for investment purposes only), as a lender or bond or debenture holder, as a consultant or adviser, or in any other capacity of or with any corporation, association or other entity, or as an agent or representative of any of the foregoing.

Non-Disclosure of Confidential Information. Contractor agrees not to use or disclose any Confidential Information concerning the business or affairs of Morningstar or any Morningstar customer unless required to do so by a court of competent jurisdiction. Confidential Information includes, without limitation, information concerning existing and prospective customers, existing and prospective marketing plans and activities, financial information, business plans, trade secrets, and other non-public information. Confidential Information further includes, without limitation, Confidential Information acquired by Morningstar by virtue of its acquisition of Ibbotson Associates .

Solicitation of Employees. Contractor agrees that during the term of this Agreement, Contractor will not solicit any employee of Morningstar to cease employment with Morningstar.

Contractor acknowledges that full compliance with all of the covenants set forth in this paragraph is necessary to protect Morningstar's valuable business interests, including but not limited to the customer relationships, goodwill, and Confidential Information that Morningstar acquired by virtue of its acquisition of Ibbotson. Contractor further acknowledges that his failure to comply with these restrictive covenants may damage Morningstar in a manner for which there will be no adequate remedy at law. Therefore, in the event of a breach of any of these covenants, Contractor acknowledges and agrees that Morningstar may be entitled to injunctive relief and Morningstar may further be entitled to such other relief, including money damages, as may be deemed appropriate by a court of competent jurisdiction or an arbitrator. If any court should at any time find any one of these covenants to be unenforceable or unreasonable as to scope, territory or period of time, then the scope, territory or period of time of the covenant shall be that determined by the court to be reasonable, and the parties hereby agree that the court has the authority to so modify any of these covenants as necessary to make the covenant enforceable.

7. AUTHORIZATION

Contractor does not have authority to bind Morningstar to any contracts or commitments with a monetary value in excess of one hundred dollars (\$100.00) without prior approval of Morningstar's CEO, CFO or COO and agrees not to create any such obligation for Morningstar or bind or attempt to bind Morningstar upon the effectiveness of this Agreement.

8. GOVERNING LAW

This agreement is to be executed in the State of Illinois and shall be interpreted, construed and enforced under the laws of the State of Illinois.

9. **SEVERABILITY**. The terms and provisions of this agreement shall be deemed separable, so that if any term or provision is deemed to be invalid or unenforceable, such term or provision shall be deemed deleted or modified so as to be valid and enforceable to the full extent permitted by applicable law.

10. **ENTIRE AGREEMENT**.

The terms of this Agreement constitute the entire agreement between Contractor and Morningstar with respect to the subject matter hereof, and supersede any prior agreement, whether oral or written, between Contractor and Morningstar respect to the subject matter hereof. Any amendment or modification hereto must be made in writing.

11. **ARBITRATION**. In the event that a dispute arises with respect to the application or interpretation of this agreement, the parties agree to submit such dispute to final and binding arbitration under the rules of the American Arbitration Association ("AAA"). Upon request of either party, the AAA shall provide a list of seven (7) arbitrators from Illinois, Wisconsin or Indiana who are members of the National Academy of Arbitrators. Each party shall have the right to reject one panel of arbitrators so provided. The parties shall select the arbitrator from the panel by alternate strikes, with the order of strikes to be determined by a coin toss. The arbitrator's authority shall be limited to interpretation of this Agreement and the arbitrator shall have no authority to modify or add to the terms hereof.

IN WITNESS WHEREOF, Contractor has executed this Agreement and Morningstar has caused this Agreement to be executed by its CEO, Joe Mansueto, on the day and year above written.

Contractor

MORNINGSTAR, INC.

/s/ Mike Henkel
Mike Henkel

By: /s/ Joe Mansueto
Joe Mansueto, CEO



225 West Wacker Drive
Chicago
Illinois 60606

Telephone: +1 312 696-6000
Facsimile: +1 312 696-6009

Media Contact:

Margaret Kirch Cohen 312-696-6383 margaret.cohen@morningstar.com

Investors: Please submit questions to investors@morningstar.com or by fax to 312-696-6009.

FOR IMMEDIATE RELEASE

Morningstar Announces Appointment of Peng Chen as President of Ibbotson Associates

CHICAGO, Aug. 2, 2006 — Morningstar, Inc. (NASDAQ: MORN) today announced the appointment of Peng Chen, 35, Ph.D., CFA, as president of Ibbotson Associates, a registered investment advisor and wholly owned subsidiary of Morningstar. Chen replaces Mike Henkel, who will serve as a consultant until June 30, 2007. Chen will also remain chief investment officer for Ibbotson, reporting to Tao Huang, chief operating officer for Morningstar.

Joe Mansueto, Morningstar's chairman and chief executive officer, said, "Mike was instrumental to the integration of Ibbotson following our acquisition earlier this year. Now that the integration is complete, Mike has decided he wants to do something new. He will stay on to help transition Peng into his new role, and then he'll work for us on a consulting basis, supporting our retirement advice and investment consulting areas."

Mansueto added, "Peng has been with Ibbotson for almost nine years and is a respected researcher and one of the foremost authorities on asset allocation. He played a key role in helping to build Ibbotson's business and contributed to the development of several Ibbotson products, particularly its investment consulting and 401(k) advice/managed retirement account services. Peng has the leadership qualities we need in this role, and we're delighted that he is joining our senior management team."

Prior to Morningstar's acquisition, Chen served as managing director and chief investment officer for Ibbotson. His writings have appeared in *Financial Analysts Journal*, *Journal of Portfolio Management*, *Journal of Investing*, *Journal of Financial Planning*, and *The American Association of Individual Investors Journal*. He received the "Articles of Excellence" award from the Certified Financial Planner Board in 1996 and the 2003 "Graham and Dodd Scroll" award from the *Financial Analysts Journal*. Chen received a bachelor's degree in

Industrial Management Engineering from Harbin Institute of Technology and a master's and doctorate in Consumer Economics from Ohio State University.

Ibbotson Associates, a leading authority on asset allocation, was founded by Professor Roger Ibbotson in 1977. The company has been entrusted to create asset allocation models for many of the largest companies in the finance and investment industries. Morningstar acquired Ibbotson in March 2006. Ibbotson is now part of Morningstar's Institutional Business Segment, and is a leading provider of retirement advice and investment consulting services to institutions.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in the United States and in major international markets. The company offers an extensive line of Internet, software, and print-based products and services for individuals, financial advisors, and institutions. Morningstar provides data on approximately 145,000 investment offerings, including stocks, mutual funds, and similar vehicles. The company has operations in 13 countries and minority ownership interests in companies in three other countries.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.

Other factors that could materially affect actual results, levels of activity, performance, or achievements can be found in Morningstar's filings with the SEC, including Morningstar's Annual Report on Form 10-K for the year ended Dec. 31, 2005. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement you read in this press release reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

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