

Corporate unallocated increased \$0.7 million in 2009 as certain expenses recorded in 2009 more than offset the expense reductions implemented in 2009. The increases included the \$6.1 million of operating expense related to adjusting the tax treatment of certain stock options originally considered incentive stock options, as well as an operating expense for the deposit penalty of \$3.4 million. This category also includes a \$3.2 million expense to increase lease vacancy reserves, primarily for the former Ibbotson headquarters.

## Equity in Net Income of Unconsolidated Entities, Non-Operating Income, and Income Tax Expense

### Equity in Net Income of Unconsolidated Entities

(\$000)	2010	2009	2008
Equity in net income of unconsolidated entities	<b>\$ 1,422</b>	\$ 1,165	\$ 1,321

Equity in net income of unconsolidated entities includes our portion of the net income (loss) of Morningstar Japan K.K. (MJKK) and Morningstar Sweden AB. In the first six months of 2010, this category also included our portion of the net income (loss) of Morningstar Denmark. In 2009 and 2008, this category also included our portion of the net income (loss) of Morningstar Denmark and Morningstar Korea. Equity in net income of unconsolidated entities is primarily from our position in MJKK.

In 2010, we acquired an additional 75% ownership interest in Morningstar Denmark, increasing our ownership percentage to 100%. As a result, we no longer account for our investment in Morningstar Denmark using the equity method. In July 2010, we began consolidating the assets, liabilities, and results of operations of Morningstar Denmark in our Consolidated Financial Statements.

In 2009, we acquired an additional 40% ownership interest in Morningstar Korea, increasing our ownership percentage to 80%. As a result, we no longer account for our investment in Morningstar Korea using the equity method. In September 2009, we began consolidating the assets, liabilities, and results of operations of Morningstar Korea in our Consolidated Financial Statements.

We describe our investments in unconsolidated entities in more detail in Note 8 of the Notes to our Consolidated Financial Statements.

### Non-Operating Income

The following table presents the components of net non-operating income:

(\$000)	2010	2009	2008
Interest income, net	<b>\$ 2,437</b>	\$ 3,016	\$ 5,687
Other income (expense), net	<b>4,295</b>	(82)	(1,435)
Non-operating income, net	<b>\$ 6,732</b>	\$ 2,934	\$ 4,252

Interest income, net mainly reflects interest from our investment portfolio. Net interest income decreased \$0.6 million in 2010 and \$2.7 million during 2009. The decrease in both years reflects lower returns on our invested balances during the year.

Other income, net primarily represents foreign currency exchange gains and losses arising from the ordinary course of business related to our U.S. and non-U.S. operations. It also includes royalty income from MJKK and realized gains and losses from our investment portfolio. In 2010, we recorded a holding gain of approximately \$4.6 million. This gain represents the difference between the estimated fair value and the book value of our investment in Morningstar Denmark at the date of acquisition. In 2009, we recorded a holding gain of approximately \$0.4 million when we increased our ownership in Morningstar Korea.

### Income Tax Expense

The following table summarizes our effective tax rate:

(\$000)	2010	2009	2008
Income before income taxes and equity in net income of unconsolidated entities	<b>\$ 127,791</b>	\$ 127,607	\$ 143,128
Equity in net income of unconsolidated entities	<b>1,422</b>	1,165	1,321
Net (income) loss attributable to noncontrolling interests	<b>(87)</b>	132	(397)
Total	<b>\$ 129,126</b>	\$ 128,904	\$ 144,052
Income tax expense	<b>\$ 42,756</b>	\$ 46,775	\$ 54,423
Effective tax rate	<b>33.1%</b>	36.3%	37.8%

For a reconciliation of the U.S. federal tax rate to our effective income tax rate, refer to Note 15 of the Notes to our Consolidated Financial Statements.