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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-33812

MSCI INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State of Incorporation)**	**13-4038723** **(I.R.S. Employer Identification Number)**
7 World Trade Center **250 Greenwich Street, 49th Floor** **New York, New York** **(Address of Principal Executive Offices)**	**10007** **(Zip Code)**

Registrant's telephone number, including area code: (212) 804-3900

One Chase Manhattan Plaza, 44th Floor, New York, New York, 10005
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 30, 2012, there were 121,795,503 shares of the Registrant's common stock, $0.01 par value, outstanding.

MSCI INC.
FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2012

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AVAILABLE INFORMATION

MSCI Inc. files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including MSCI Inc.) file electronically with the SEC. MSCI Inc.'s electronic SEC filings are available to the public at the SEC's internet site, *www.sec.gov*.

MSCI Inc.'s internet site is *www.msci.com*. You can access MSCI Inc.'s Investor Relations webpage at *http://ir.msci.com*. MSCI Inc. makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. MSCI Inc. also makes available, through its Investor Relations webpage, via a link to the SEC's internet site, statements of beneficial ownership of MSCI Inc.'s equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

MSCI Inc. has a Corporate Governance webpage. You can access information about MSCI Inc.'s corporate governance at *http://ir.msci.com/governance.cfm*. MSCI Inc. posts the following on its Corporate Governance webpage:

- Charters for our Audit Committee, Compensation Committee and Nominating and Governance Committee;
- Corporate Governance Policies; and
- Code of Ethics and Business Conduct.

MSCI Inc.'s Code of Ethics and Business Conduct applies to all directors, officers and employees, including its Chief Executive Officer and its Chief Financial Officer. MSCI Inc. will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange, Inc. ("NYSE") on its internet site. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, 7 World Trade Center, 250 Greenwich Street, 49th Floor, New York, NY 10007; (212) 804-1583. The information on MSCI Inc.'s internet site is not incorporated by reference into this report.

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PART I

Item 1. Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share and per share data)

	As of	
	June 30, 2012	December 31, 2011
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 273,307	$ 252,211
Short-term investments	86,460	140,490
Trade receivables (net of allowances of $603 and $857 as of June 30, 2012 and December 31, 2011, respectively)	136,074	180,566
Deferred taxes	47,612	40,952
Prepaid taxes	37,927	38,022
Prepaid and other assets	23,721	25,702
Total current assets	605,101	677,943
Property, equipment and leasehold improvements (net of accumulated depreciation and amortization of $63,973 and $60,088 at June 30, 2012 and December 31, 2011, respectively)	54,793	37,623
Goodwill	1,708,585	1,708,585
Intangible assets (net of accumulated amortization of $284,717 and $255,579 at June 30, 2012 and December 31, 2011, respectively)	612,963	644,881
Other non-current assets	13,448	23,964
Total assets	$2,994,890	$3,092,996
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 657	$ 239
Accrued compensation and related benefits	57,169	107,506
Other accrued liabilities	49,044	45,504
Current maturities of long-term debt	43,070	10,339
Deferred revenue	333,890	289,217
Total current liabilities	483,830	452,805
Long-term debt, net of current maturities	833,175	1,066,548
Deferred taxes	230,232	240,456
Other non-current liabilities	37,997	27,755
Total liabilities	1,585,234	1,787,564
Commitments and Contingencies (see Note 8)		
Shareholders' equity:		
Preferred stock (par value $0.01; 100,000,000 shares authorized; no shares issued)	—	—
Common stock (par value $0.01; 750,000,000 common shares authorized at June 30, 2012 and 500,000,000 class A shares and 250,000,000 class B shares authorized at December 31, 2011; 123,355,622 common shares issued at June 30, 2012 and 122,713,226 class A shares issued at December 31, 2011; and 121,776,505 common shares outstanding at June 30, 2012 and 121,212,191 class A shares outstanding at December 31, 2011, respectively; no class B shares issued and outstanding at December 31, 2011)	1,233	1,227
Treasury shares, at cost (1,579,117 and 1,501,035 shares at June 30, 2012 and December 31, 2011, respectively)	(52,420)	(49,827)
Additional paid in capital	1,020,046	995,665
Retained earnings	444,973	363,461
Accumulated other comprehensive income (loss)	(4,176)	(5,094)
Total shareholders' equity	1,409,656	1,305,432
Total liabilities and shareholders' equity	$2,994,890	$3,092,996

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(unaudited)			
Operating revenues	$238,565	$226,483	$467,617	$449,781
Cost of services	73,243	68,840	145,534	139,058
Selling, general and administrative	57,602	53,321	113,038	104,739
Restructuring	(22)	40	(51)	4,471
Amortization of intangible assets	15,959	16,423	31,918	33,115
Depreciation and amortization of property, equipment and leasehold improvements	4,662	5,168	9,078	10,278
Total operating expenses	151,444	143,792	299,517	291,661
Operating income	87,121	82,691	168,100	158,120
Interest income	(237)	(186)	(460)	(329)
Interest expense	29,581	12,852	41,936	29,439
Other expense (income)	516	383	1,124	6,024
Other expense (income), net	29,860	13,049	42,600	35,134
Income before provision for income taxes	57,261	69,642	125,500	122,986
Provision for income taxes	19,715	23,982	43,988	43,805
Net income	$ 37,546	$ 45,660	$ 81,512	$ 79,181
Earnings per basic common share	$ 0.31	$ 0.38	$ 0.66	$ 0.65
Earnings per diluted common share	$ 0.30	$ 0.37	$ 0.66	$ 0.64
Weighted average shares outstanding used in computing earnings per share				
Basic	122,030	120,592	121,892	120,438
Diluted	123,295	122,235	123,204	122,125

See Notes to Unaudited Condensed Consolidated Financial Statements

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MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(unaudited)			
Net income	$37,546	$45,660	$81,512	$79,181
Other comprehensive income (loss):				
Foreign currency translation adjustments	(3,591)	2,234	(62)	4,107
Income tax effect	1,378	(875)	(12)	(1,607)
Foreign currency translation adjustments, net	(2,213)	1,359	(74)	2,500
Unrealized gains (losses) on cash flow hedges	496	(2,515)	524	(2,523)
Income tax effect	(190)	984	(223)	987
Unrealized gains (losses) on cash flow hedges, net	306	(1,531)	301	(1,536)
Unrealized gains on available-for-sale securities	7	1	(2)	1
Income tax effect	(3)	—	—	—
Unrealized gains on available-for-sale securities, net	4	1	(2)	1
Pension and other post-retirement adjustments	896	(37)	913	(41)
Income tax effect	(215)	8	(220)	8
Pension and other post-retirement adjustments, net	681	(29)	693	(33)
Other comprehensive income, net of tax	(1,222)	(200)	918	932
Comprehensive income	$36,324	$45,460	$82,430	$80,113

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2012	2011
	(unaudited)	
Cash flows from operating activities		
Net income	$ 81,512	$ 79,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	31,918	33,115
Share-based expense	11,872	16,462
Depreciation and amortization of property, equipment and leasehold improvements	9,078	10,278
Amortization of debt origination fees	16,599	3,127
Deferred taxes	(17,516)	4,226
Amortization of discount on long-term debt	4,834	571
Excess tax benefits from share-based compensation	(1,659)	(3,763)
Other non-cash adjustments	(299)	1,049
Changes in assets and liabilities, net of assets and liabilities acquired:		
Trade receivables	44,714	(37,957)
Prepaid income taxes	1,777	(11,918)
Prepaid and other assets	(132)	(3,549)
Accounts payable	414	432
Deferred revenue	44,979	26,796
Accrued compensation and related benefits	(46,768)	(38,862)
Other accrued liabilities	(2,107)	1,528
Other	10,850	(470)
Net cash provided by operating activities	190,066	80,246
Cash flows from investing activities		
Proceeds from redemption of short-term investments	130,434	71,181
Purchase of short-term investments	(76,331)	(109,427)
Capital expenditures	(19,946)	(6,732)
Net cash provided by (used in) investing activities	34,157	(44,978)
Cash flows from financing activities		
Proceeds from borrowing	876,087	1,125,000
Repayment of long-term debt	(1,081,563)	(1,271,438)
Payment of debt issuance costs	(3,870)	—
Repurchase of treasury shares	(2,483)	(2,914)
Proceeds from exercise of stock options	7,555	12,615
Excess tax benefits from share-based compensation	1,659	3,763
Net cash used in financing activities	(202,615)	(132,974)
Effect of exchange rate changes	(512)	4,178
Net increase (decrease) in cash	21,096	(93,528)
Cash and cash equivalents, beginning of period	252,211	269,423
Cash and cash equivalents, end of period	$ 273,307	$ 175,895
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 21,406	$ 29,906
Cash paid for income taxes	$ 57,753	$ 52,825
Supplemental disclosure of non-cash investing activities:		
Property, equipment and leasehold improvements in other accrued liabilities	$ 7,940	$ 5,356

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. INTRODUCTION AND BASIS OF PRESENTATION

MSCI Inc. together with its wholly-owned subsidiaries (the "Company" or "MSCI") is a global provider of investment decision support tools worldwide, including indices, portfolio risk and performance analytics and corporate governance products and services. The Company's flagship products are its global equity indices and environmental, social and governance ("ESG") products marketed under the MSCI brand, its portfolio risk and performance analytics covering global equity and fixed income markets marketed under the Barra brand, its market and credit risk analytics marketed under the RiskMetrics and Barra brands, its governance research and outsourced proxy voting and reporting services marketed under the ISS brand and its valuation models and risk management software for the energy and commodities markets marketed under the FEA brand.

MSCI operates as two segments, the Performance and Risk business and the Governance business. The Performance and Risk business is a global provider of investment decision support tools, including indices, portfolio risk and performance analytics, credit analytics and ESG products. The Governance business is a provider of corporate governance and specialized financial research and analysis services to institutional shareholders and corporations around the world. (See Note 13, "Segment Information," for further information about MSCI's operating segments).

Basis of Presentation and Use of Estimates

These unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries and include all adjustments of a normal, recurring nature necessary to present fairly the financial condition as of June 30, 2012 and December 31, 2011, the results of operations and comprehensive income for the three and six months ended June 30, 2012 and 2011 and cash flows for the six months ended June 30, 2012 and 2011. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in MSCI's Annual Report on Form 10-K for the year ended December 31, 2011. The condensed consolidated financial statement information as of December 31, 2011 has been derived from the 2011 audited consolidated financial statements. The results of operations for interim periods are not necessarily indicative of results for the entire year.

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These accounting principles require the Company to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Significant estimates and assumptions made by management include the deferral and recognition of revenue, the allowance for doubtful accounts, impairment of long-lived assets, accrued compensation, income taxes and other matters that affect the condensed consolidated financial statements and related disclosures. The Company believes that estimates used in the preparation of these condensed consolidated financial statements are reasonable; however, actual results could differ materially from these estimates.

Inter-company balances and transactions are eliminated in consolidation.

Adjustment to Revenues

During the six months ended June 30, 2012, as a result of a one-time adjustment, the Company recorded a $5.2 million cumulative revenue reduction to correct an error related to revenues previously reported through December 31, 2011. The effect of recording this adjustment in the first quarter resulted in a one-time decrease to the energy and commodity analytics products revenues in the Company's Condensed Consolidated Statement of Income and an increase in deferred revenues in the Company's Condensed Consolidated Statement of Financial Condition. It was determined that under Accounting Standards Codification ("ASC") Subtopic 985-605, "*Software Revenue Recognition*," the Company incorrectly established vendor specific objective evidence for certain energy and commodity analytics products and as a result should not have been recognizing a substantial portion of the revenue immediately upon delivery or renewal of a time based subscription license, the terms of which are generally one year. Rather, the entire license fee should be recognized ratably over the term of the license. As such, the Company made the cumulative adjustment effective January 1, 2012 and started recognizing revenue related to all contracts still in effect as of this date ratably over the remainder of the term. The Company will recognize revenue ratably over the contract term for any new contracts entered into on January 1, 2012 and thereafter. Based upon an evaluation of all relevant factors, management believes the correcting adjustment did not have a material impact on the Company's previously reported results and, accordingly, has determined that restatement of previously issued financial statements is not necessary.

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Concentrations

The Company licenses its products and services primarily to investment managers principally in the United States, Europe and Asia. The Company maintains an allowance on customer accounts where estimated losses may result from the inability of its customers to make required payments.

Financial instruments that may potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents held on deposit and short-term investments. At June 30, 2012 and December 31, 2011, cash and cash equivalents held primarily on deposit were $273.3 million and $252.2 million, respectively. At June 30, 2012 and December 31, 2011, the Company had invested $86.5 million and $140.5 million, respectively, in debt securities with maturity dates ranging from 91 to 360 days from the date of purchase.

For the three and six months ended June 30, 2012 and 2011, no single customer accounted for 10.0% or more of the Company's operating revenues.

2. RECENT ACCOUNTING STANDARDS UPDATES

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *"Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs,"* or ASU 2011-04. ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on the Company's condensed consolidated financial statements.

3. RESTRUCTURING

During the year ended November 30, 2010, MSCI's management approved, committed to and initiated a plan to restructure the Company's operations due to its acquisition of RiskMetrics (the "Restructuring Plan"). Restructuring includes expenses associated with the elimination of overlapping positions and duplicative occupancy costs and the termination of overlapping vendor contracts.

The Company recorded less than $0.1 million of restructuring benefits during the six months ended June 30, 2012, relating to adjustments made for costs previously accrued for the elimination of overlapping positions. The Company recorded $4.4 million of restructuring expenses in connection with the Restructuring Plan during the six months ended June 30, 2011. Of this amount, less than $0.1 million was related to the accelerated vesting of share-based compensation awards triggered by the elimination of overlapping positions and $0.7 million was related to the write-off of assets associated with the exit of certain leases. The accelerated vesting of share-based compensation awards is not accounted for as a restructuring liability under the line item "Other accrued liabilities" but is instead recorded under the line item "Additional paid in capital" in the Company's Condensed Consolidated Statement of Financial Condition.

During the six months ended June 30, 2011, $2.3 million of the restructuring expenses were recorded under the Company's Performance and Risk operating segment and $2.1 million were recorded under the Company's Governance operating segment.

The table below summarizes the accrual and charges incurred with respect to the Company's Restructuring Plan that are included in the line items "Other accrued liabilities" in the Company's Condensed Consolidated Statement of Financial Condition as of December 31, 2011 and June 30, 2012:

(in thousands)	Severance	Lease termination	Total
Accrued Balance, December 31, 2011	$ 72	$ 667	$ 739
Restructuring benefits	(51)	—	(51)
Cash payments	(21)	(315)	(336)
Accrued Balance, June 30, 2012	$ —	$ 352	$ 352

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. EARNINGS PER COMMON SHARE

Basic earnings per share is computed by dividing income available to MSCI common shareholders by the weighted average number of common shares outstanding during the period. Common shares outstanding include common stock and vested restricted stock unit awards where recipients have satisfied either the explicit vesting terms or retirement-eligibility requirements. Diluted earnings per share reflects the assumed conversion of all dilutive securities. There were 8,710 and 4,355 anti-dilutive stock options excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2012, respectively. There were 18,765 and 9,383 anti-dilutive stock options excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2011, respectively.

The Company computes earnings per share using the two-class method and determines whether instruments granted in share-based payment transactions are participating securities. The following table presents the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands, except per share data)			
Net income	$ 37,546	$ 45,660	$ 81,512	$ 79,181
Less: Allocations of earnings to unvested restricted stock units [1]	(229)	(433)	(496)	(749)
Earnings available to MSCI common shareholders	$ 37,317	$ 45,227	$ 81,016	$ 78,432
Basic weighted average common shares outstanding	122,030	120,592	121,892	120,438
Basic weighted average common shares outstanding	122,030	120,592	121,892	120,438
Effect of dilutive securities:				
Stock options	1,265	1,643	1,312	1,687
Diluted weighted average common shares outstanding	123,295	122,235	123,204	122,125
Earnings per basic common share	$ 0.31	$ 0.38	$ 0.66	$ 0.65
Earnings per diluted common share	$ 0.30	$ 0.37	$ 0.66	$ 0.64

(1) The restricted stock units participate in all of the earnings of the Company in the computation of basic earnings per share and, therefore, the restricted stock units are not included as incremental shares in the diluted EPS computation.

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

5. SHORT-TERM INVESTMENTS

The fair value and gross unrealized gains and losses of securities available-for-sale as of the dates indicated were as follows:

(in thousands)	Amortized Cost plus Accrued Interest	Gross unrealized gains	Gross unrealized losses	Estimated Fair value
June 30, 2012				
Debt securities available-for-sale				
U.S. Treasury securities	$ 86,457	$ 6	$ (3)	$ 86,460
Total	$ 86,457	$ 6	$ (3)	$ 86,460
December 31, 2011				
Debt securities available-for-sale				
U.S. Treasury securities	$135,485	$ 9	$ (2)	$135,492
Tradable certificates of deposit	5,001	—	(3)	4,998
Total	$140,486	$ 9	$ (5)	$140,490

Unrealized Losses on Investments

Investments with continuous unrealized losses for less than 12 months and their related fair values as of June 30, 2012 and December 31, 2011 were as follows:

	As of June 30, 2012	
(in thousands)	Total Fair Value	Total Unrealized Losses
U.S. Treasury securities	$ 54,101	$ (3)
Total	$ 54,101	$ (3)

	As of December 31, 2011	
(in thousands)	Total Fair Value	Total Unrealized Losses
U.S. Treasury securities	$ 50,056	$ (2)
Tradable certificates of deposit	2,695	(3)
Total	$ 52,751	$ (5)

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Evaluating Investments for Other-than-Temporary Impairments

If the fair values of the Company's debt security investments are less than the amortized costs at the balance sheet date, the Company assesses whether the impairments are other than temporary. As the Company currently invests primarily in U.S. Treasury securities with a short duration (one year or less), it would take a significant decline in fair value and U.S. economic conditions for the Company to determine that these investments are other than temporarily impaired.

Additionally, management assesses whether it intends to sell or would more-likely-than-not not be required to sell the investment before the expected recovery of the cost basis. Management believes it is more-likely-than-not that it will not be required to sell the investment before recovery of the cost basis.

As of June 30, 2012 and December 31, 2011, no other-than-temporary impairment had been recorded on any of the Company's investments.

6. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements at June 30, 2012 and December 31, 2011 consisted of the following:

	As of	
	June 30, 2012	December 31, 2011
	(in thousands)	
Computer & related equipment	$ 68,022	$ 70,170
Furniture & fixtures	5,245	4,868
Leasehold improvements	24,171	22,219
Work-in-process [1]	21,328	454
Subtotal	118,766	97,711
Accumulated depreciation and amortization	(63,973)	(60,088)
Property, equipment and leasehold improvements, net	$ 54,793	$ 37,623

[1] Work-in-process as of June 30, 2012 primarily relates to the build-out of the Company's new office spaces in New York, New York and Rockville, Maryland, both of which the Company expects to begin occupying during the quarter ending September 30, 2012.

Depreciation and amortization expense of property, equipment and leasehold improvements was $4.7 million and $5.2 million for the three months ended June 30, 2012 and 2011, respectively. Depreciation and amortization expense of property, equipment and leasehold improvements was $9.1 million and $10.3 million for the six months ended June 30, 2012 and 2011, respectively.

7. GOODWLL AND INTANGIBLE ASSETS

Goodwill.

The Company carries goodwill as a result of its acquisitions of Barra Inc. ("Barra"), RiskMetrics Group, Inc. ("RiskMetrics") and Measurisk, LLC ("Measurisk"). Goodwill is tested for impairment annually or earlier when impairment indicators are present, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. The Company's goodwill at June 30, 2012 and December 31, 2011 was $1,708.6 million. Approximately $1,477.5 million of the goodwill was allocated to the Performance and Risk segment and $231.1 million of the goodwill was allocated to the Governance segment.

Intangible Assets.

Intangible assets consist of those definite-lived intangibles from the acquisitions of Barra in June 2004, RiskMetrics in June 2010 and Measurisk in July 2010. The Company amortizes definite-lived intangible assets over their estimated useful lives. Amortizable intangible assets are tested for impairment when impairment indicators are present, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. No impairment of intangible assets has been identified during any of the periods presented. The Company has no indefinite-lived intangibles.

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Amortization expense related to intangible assets for the three months ended June 30, 2012 and 2011 was $16.0 million and $16.4 million, respectively. Amortization expense related to intangible assets for the six months ended June 30, 2012 and 2011 was $31.9 million and $33.1 million, respectively.

The gross carrying amounts and accumulated amortization totals related to the Company's identifiable intangible assets as of June 30, 2012 and December 31, 2011 are as follows:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
As of June 30, 2012			
Customer relationships	$459,010	$ (76,779)	$382,231
Trademarks/trade names	243,440	(55,775)	187,665
Technology/software	191,430	(150,844)	40,586
Proprietary process	3,800	(1,319)	2,481
Total intangible assets	$897,680	$ (284,717)	$612,963

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
As of December 31, 2011			
Customer relationships	$459,010	$ (61,003)	$398,007
Trademarks/trade names	243,440	(49,336)	194,104
Technology/software	191,430	(141,457)	49,973
Proprietary process	3,800	(1,003)	2,797
Non-compete agreements	2,780	(2,780)	—
Total intangible assets	$900,460	$ (255,579)	$644,881

The estimated amortization expense for succeeding years is presented below:

Fiscal Year	Amortization Expense
	(in thousands)
Remainder of 2012	$ 31,041
2013	53,087
2014	52,864
2015	52,787
2016	50,649
2017	44,566
Thereafter	327,969
Total	$ 612,963

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8. COMMITMENTS AND CONTINGENCIES

Legal matters. From time to time, the Company is party to various litigation matters incidental to the conduct of its business. The Company is not presently party to any legal proceedings the resolution of which the Company believes would have a material impact on its business, operating results, financial condition or cash flows.

Leases. The Company leases facilities under non-cancelable operating lease agreements. The terms of certain lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on the straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Rent expense for the three months ended June 30, 2012 and 2011 was $6.9 million and $4.6 million, respectively. Rent expense for the six months ended June 30, 2012 and 2011 was $13.0 million and $9.1 million, respectively.

During the six months ended June 30, 2012, the Company leased office space in New York, New York at three locations. The first two, One Chase Manhattan Plaza and 88 Pine Street, have combined annual base rents of $3.0 million. The lease at One Chase Manhattan Plaza ends in August 2012 and the lease at 88 Pine Street ends in December 2014. On September 16, 2011, the Company entered into a new lease agreement with 7 World Trade Center, LLC, pursuant to which the Company is renting approximately 126,000 square feet of office space for its new corporate headquarters at 7 World Trade Center, New York, New York (the “Lease”). The Lease commenced on February 1, 2012 (the “Commencement Date”) and the Company began occupying its new corporate headquarters in the 7 World Trade Center offices on July 23, 2012.

The Lease is initially scheduled to expire on February 28, 2033, subject to the Company’s option to renew the Lease for an additional ten years after the initial expiration date. The Company also has the option to terminate the Lease early on February 1, 2028, subject to compliance with the terms and conditions of the Lease, including the payment of a termination fee. The aggregate rent over the life of the Lease is approximately $170.1 million plus certain customary expenses. The Company expects to recognize annual rent expense of $7.7 million related to the 7 World Trade Center offices over the life of the Lease. From February 1, 2013 (the “Rent Commencement Date”) through and including January 31, 2018, the day preceding the fifth anniversary of the Rent Commencement Date, the annual rent paid will be approximately $7.3 million. Thereafter, the annual rent to be paid increases 10.0% on each of the fifth, tenth and fifteenth anniversaries of the Rent Commencement Date.

Long-term debt. On June 1, 2010, the Company entered into a senior secured credit agreement with Morgan Stanley Senior Funding, Inc., as administrative agent, Morgan Stanley & Co. Incorporated, as collateral agent, and the other lenders party thereto, which was comprised of (i) a $1,275.0 million six-year term loan facility (the “2010 Term Loan”) and (ii) a $100.0 million five-year revolving credit facility (the “2010 Revolving Credit Facility” and together with the 2010 Term Loan, the “2010 Credit Facility”). For unused credit under the 2010 Revolving Credit Facility, the Company paid an annual 0.75% non-usage fee. The Company was required to repay 1.00% of the principal of the 2010 Term Loan per year in quarterly installments. The 2010 Credit Facility also contained a number of mandatory prepayment requirements, including a requirement to repay a specified amount of the 2010 Term Loan annually from a portion of the Company’s excess cash flows (as defined in the 2010 Credit Facility, which varied based on the Company’s leverage ratio). Any remaining principal of the 2010 Term Loan was to be payable on the final maturity date of the facility. In February 2011, the Company made a prepayment of $56.0 million on the 2010 Term Loan from its excess cash flows.

On March 14, 2011, the Company completed the repricing of the 2010 Credit Facility pursuant to Amendment No. 2 to the 2010 Credit Facility (“Amendment No. 2”). Amendment No. 2 provided for the incurrence of a new senior secured loan (the “2011 Term Loan”) in an aggregate principal amount of $1,125.0 million. The proceeds of the 2011 Term Loan, together with $87.6 million of cash on hand, were used to repay the remaining $1,212.6 million outstanding balance of the 2010 Term Loan in full. The 2011 Term Loan was to mature in March 2017. Amendment No. 2 decreased the interest rate applicable to the 2011 Term Loan from the London Interbank Offered Rate (“LIBOR”) plus 3.25% (with a leverage-based stepdown) to LIBOR plus 2.75% (with a leverage-based stepdown) and reduced the LIBOR floor applicable to the 2011 Term Loan from 1.50% to 1.00%. The Company incurred $6.1 million in fees associated with the repricing which are reflected in “Other expense (income)” on the Company’s Condensed Consolidated Statement of Income for the six months ended June 30, 2011.

On December 30, 2011, the Company made a $35.0 million prepayment on the 2010 Credit Facility, as amended.

On May 4, 2012, the Company amended and restated its 2010 Credit Facility (the credit agreement as so amended and restated, the “Amended and Restated Credit Facility”). The Amended and Restated Credit Facility provides for the incurrence of a new senior secured five-year Term Loan A Facility in an aggregate amount of $880.0 million (the “2012 Term Loan”) and a $100.0 million senior secured revolving facility (the “2012 Revolving Credit Facility”). The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to repay the remaining outstanding principal of the existing 2011 Term Loan. The 2012 Term Loan and the 2012 Revolving Credit Facility mature on May 4, 2017. The Company is required to repay 5.0% of the 2012 Term Loan in quarterly payments over the first two years, 10.0% of the 2012 Term Loan in quarterly payments over the next two years, and 70.0% of the 2012 Term Loan in quarterly payments over the final year.

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The 2011 Term Loan bore interest equal to the greater of LIBOR or 1.00% plus 2.50%. As of June 30, 2012, the 2012 Term Loan bears interest of LIBOR plus 2.25%, or 2.49%.

The Amended and Restated Credit Facility also amended certain negative covenants, including financial covenants.

In connection with entering into the Amended and Restated Credit Facility, the Company paid $5.7 million in fees, $3.9 million of which are being deferred. These financing fees, together with $8.6 million of existing fees related to prior credit facilities continuing to be deferred, will be amortized over the life of the Amended and Restated Credit Facility. At June 30, 2012, $12.1 million of the deferred financing fees remain unamortized, $2.9 million of which is included in “Prepaid and other assets” and $9.2 million of which is included in “Other non-current assets” on the Company’s Condensed Consolidated Statement of Financial Condition.

Current maturities of long-term debt at June 30, 2012 was $43.1 million, net of a $0.9 million discount. Long-term debt, net of current maturities at June 30, 2012 was $833.2 million, net of a $2.8 million discount.

Current maturities of long-term debt at December 31, 2011 was $10.3 million, net of a $0.9 million discount. Long-term debt, net of current maturities at December 31, 2011 was $1,066.6 million, net of a $3.8 million discount.

The Company expensed $15.3 million and $1.3 million of deferred financing fees in interest expense during the three months ended June 30, 2012 and 2011, respectively. The Company amortized $16.6 million and $3.1 million of deferred financing fees in interest expense during the six months ended June 30, 2012 and 2011, respectively. Approximately $4.6 million and $0.2 million of debt discount was amortized in interest expense during the three months ended June 30, 2012 and 2011, respectively. Approximately $4.8 million and $0.6 million of debt discount was amortized in interest expense during the six months ended June 30, 2012 and 2011, respectively.

At June 30, 2012 and December 31, 2011, the fair market value of the Company’s debt obligations were $884.4 million and $1,089.7 million, respectively. The fair market value is determined in accordance with accounting standards related to the determination of fair value as discussed in Note 9, “Fair Value Measures,” and represents Level 2 valuations. We utilize the market approach and obtain security pricing from a vendor who uses broker quotes and third-party pricing services to determine fair values.

Interest Rate Swaps and Derivative Instruments. The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company had entered into derivative financial instruments to manage exposures that arose from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company’s derivative financial instruments were used to manage differences in the amount, timing, and duration of the Company’s known or expected cash payments principally related to the Company’s borrowings.

As a result of the repayment of the 2011 Term Loan on May 4, 2012 and the 2010 Term Loan on March 14, 2011, the Company discontinued prospective hedge accounting on its then-existing interest rate swaps as they no longer met hedge accounting requirements. The Company has not entered into new interest rate swaps to hedge its debt and it is not required to do so under the Amended and Restated Credit Facility. The Company will continue to report the net loss related to the discontinued cash flow hedges in Accumulated Other Comprehensive Income and is expected to reclassify this amount into earnings during the original contractual term of the swap agreements. During the next twelve months, the Company estimates that an additional $2.4 million will be reclassified as an increase to interest expense.

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The following table presents the fair values of the Company's derivative instruments and the location in which they are presented on the Company's Condensed Consolidated Statements of Financial Condition:

(In thousands)	Condensed Consolidated Statements of Financial Condition Location	As of June 30, 2012	As of December 31, 2011
Liability derivatives:			
Derivatives designated as hedging instruments:			
Interest rate swaps	Other accrued liabilities	$ —	$ (2,387)

The following tables present the effect of the Company's financial derivatives and the location in which they are presented on the Company's Condensed Consolidated Statements of Financial Condition and Condensed Consolidated Statements of Income:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income on Derivative (Effective Portion) for the Three Months Ended June 30,		Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion) for the Three Months Ended June 30,		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Three Months Ended June 30	
(In thousands)	2012	2011		2012	2011		2012	2011
Interest rate swaps	$ (601)	$ (2,964)	Interest expense	$ (107)	$ (449)	Interest expense	$ —	$ —

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income on Derivative (Effective Portion) for the Six Months Ended June 30,		Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion) for the Six Months Ended June 30,		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Six Months Ended June 30	
(In thousands)	2012	2011		2012	2011		2012	2011
Interest rate swaps	$(1,218)	$(3,332)	Interest expense	$ (695)	$ (811)	Interest expense	$ —	$ 35

9. FAIR VALUE MEASURES

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2012:

Description	Balance as of June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents	$ —	$ —	$ —	$ —
Short-term investments:				
U.S. Treasury securities	86,460	—	86,460	—
Total short-term investments	86,460	—	86,460	—
Total financial assets	$ 86,460	$ —	$ 86,460	$ —

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The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

Description	Balance as of December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Assets:				
Cash equivalents	$ 27,000	$ —	$ 27,000	$ —
Short-term investments:				
U.S. Treasury securities	135,492	—	—	—
Tradable certificates of deposit	4,998	—	4,998	—
Total short-term investments	140,490	—	140,490	—
Total financial assets	$ 167,490	$ —	$ 167,490	$ —
Liabilities:				
Interest rate swaps	$ 2,387	$ —	$ 2,387	$ —

The Company's financial assets and liabilities are valued using market prices on both active markets (Level 1) and less active markets (Level 2). The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented. The Company does not hold any financial instruments that would be valued using Level 3 inputs as of the periods presented.

The Company's cash equivalents consist of U.S. Treasury securities, tradable certificates of deposit, commercial paper and state and municipal securities with maturities of 90 days or less from the date of purchase. The Company's short-term investments consist of U.S. Treasury securities, tradable certificates of deposit, commercial paper and state and municipal securities and are classified within Level 2, as there is not an active market for these securities, but the market pricing data used to calculate the value of the instruments are derived from similar securities traded in active markets.

The Company's interest rate swaps are classified within Level 2, as they are valued using pricing models that take into account the contract terms as well as multiple observable inputs where applicable, such as equity prices, interest rate yield curves, option volatility and currency rates.

10. EMPLOYEE BENEFITS

The Company sponsors a 401(k) plan for eligible U.S. employees and defined contribution and defined benefit pension plans that cover substantially all of its non-U.S. employees. For the three months ended June 30, 2012 and 2011, costs relating to 401(k), pension and post-retirement benefit expenses were $5.2 million and $3.3 million, respectively. Of these amounts, $3.6 million and $1.9 million were recorded in cost of services and $1.6 million and $1.4 million were recorded in selling, general and administrative for the three months ended June 30, 2012 and 2011, respectively.

For the six months ended June 30, 2012 and 2011, costs relating to 401(k), pension and post-retirement benefit expenses were $11.7 million and $8.3 million, respectively. Of these amounts, $7.5 million and $5.2 million were recorded in cost of services and $4.2 million and $3.1 million were recorded in selling, general and administrative for the six months ended June 30, 2012 and 2011, respectively.

401(k) and Other Defined Contribution Plans. Eligible employees may participate in the MSCI 401(k) plan (or any other regional defined contribution plan sponsored by MSCI) immediately upon hire. Eligible employees receive 401(k) and

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other defined contribution plan matching contributions and, in the case of the MSCI 401(k) plan, an additional Company contribution of 3% of the employees' cash compensation, which is subject to vesting and certain other limitations. The Company's expenses associated with the 401(k) plan and other defined contribution plans were $3.5 million and $2.7 million for the three months ended June 30, 2012 and 2011, respectively. The Company's expenses associated with the 401(k) plan and other defined contribution plans were $9.6 million and $7.3 million for the six months ended June 30, 2012 and 2011, respectively.

Net Periodic Benefit Expense. Net periodic benefit expense related to defined benefit pension plans was $1.6 million and $0.6 million for the three months ended June 30, 2012 and 2011, respectively. Net periodic benefit expense related to defined benefit pension plans was $2.1 million and $1.0 million for the six months ended June 30, 2012 and 2011, respectively.

11. SHARE-BASED COMPENSATION

On November 6, 2007, the Company's Board of Directors approved the award of founders grants to its employees in the form of restricted stock units and/or options ("Founders Grant Award"). The restricted stock units and options vested over a four-year period beginning from the November 14, 2007 grant date, with 50% becoming vested on November 14, 2009, 25% becoming vested on November 14, 2010 and 25% becoming vested on November 14, 2011.

On December 16, 2008, the Company, as a component of the 2008 annual bonus, awarded certain of its employees with a grant in the form of restricted stock units ("2008 Bonus Award"). The aggregate value of the grants was approximately $9.5 million of restricted stock units. The restricted stock units vested one-third per year over a three-year period. Approximately $4.2 million of this grant was awarded to retirement-eligible employees under the award terms. Based on interpretive guidance related to ASC Subtopic 718-10, the Company accrues the estimated cost of these awards over the course of the fiscal year in which the award is earned. As such, the Company accrued the estimated cost of the 2008 Bonus Award related to retirement-eligible employees over the 2008 fiscal year. The final tranche of the 2008 Bonus Award vested on January 9, 2012.

On December 16, 2009, the Company, as a component of the 2009 annual bonus, awarded certain of its employees with a grant in the form of restricted stock units ("2009 Bonus Award"). The aggregate value of the grants was approximately $13.2 million of restricted stock units. The restricted stock units vest over a three-year period, with one-third vesting on December 20, 2010, December 19, 2011 and December 17, 2012, respectively. Approximately $5.1 million of this grant was awarded to retirement-eligible employees under the award terms. The Company accrued the estimated cost of the 2009 Bonus Award granted to retirement-eligible employees over the 2009 fiscal year. The final tranche of the 2009 Bonus Award will vest on December 17, 2012.

On June 1, 2010, the Company reserved approximately 4.2 million shares of common stock for outstanding vested and unvested stock options and 0.1 million shares of common stock for outstanding unvested restricted stock awards assumed as part of the acquisition of RiskMetrics. Over an approximate three-and-a-half-year period from the date assumed, $16.7 million is expected to be expensed for unvested stock options and $1.3 million for unvested restricted stock awards.

On June 1, 2010, the Company awarded certain of its employees with a grant in the form of restricted stock units ("Performance Award"). The Performance Award will performance-vest based upon the Company achieving specific performance targets over a measurement period ending on December 31, 2012 and time-vest over a 31-month period, with one-half time-vested on December 1, 2011 and one-half time-vesting on December 31, 2012. The aggregate value of the grants was approximately $15.9 million.

On December 10, 2010, the Compensation Committee of the Board of Directors of the Company approved the grant of a special one-time price and time vested stock option award to the Company's Chief Executive Officer ("2010 CEO Award"). The award was valued at approximately $3.6 million using a Monte Carlo simulation based on the closing price of the Company's common stock at the close of business on December 13, 2010. The 2010 CEO Award time-vests over a five-year period, with approximately 25% of the award vesting on each of the second, third, fourth and fifth anniversaries of the grant and is subject to certain market performance conditions.

On December 14, 2010, the Company, as a component of the 2010 annual bonus, awarded a portion of its employees with a grant in the form of restricted stock units ("2010 Bonus Award"). The aggregate value of the grants was approximately $18.9 million. Approximately $6.2 million was awarded to retirement-eligible employees under the award terms. A portion of the 2010 Bonus Award consisted of restricted stock units vesting over a three-year period, with one-third vesting on each anniversary of the grant in 2011, 2012 and 2013, respectively. A smaller portion of the 2010 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period ending on December 31, 2012 and a time-vesting period, with one-half time vesting on December 31, 2012 and December 31, 2013, respectively.

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On February 2, 2012, the Company, as a component of the 2011 annual bonus, awarded a portion of its employees with a grant in the form of restricted stock units ("2011 Bonus Award"). The aggregate value of the grants was approximately $21.2 million. Approximately $6.7 million of the aggregate value of the grants was awarded to retirement-eligible employees under the award terms which had been expensed in the year ended December 31, 2011. A portion of the 2011 Bonus Award consisted of restricted stock units vesting over a three-year period, with one-third vesting on each anniversary of the grant in 2013, 2014 and 2015, respectively. A smaller portion of the 2011 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period ending on December 31, 2013 and a time-vesting period, with one-half time vesting on December 31, 2013 and December 31, 2014, respectively.

During the six months ended June 30, 2012, the Company awarded 4,544 shares in MSCI common stock and 18,603 restricted stock units to directors who were not employees of the Company during the period. During the six months ended June 30, 2011, the Company awarded 7,840 shares in MSCI common stock and 21,259 restricted stock units to directors who were not employees of the Company during the period.

For the Performance Award and the 2010 CEO Award, all or a portion of the award may be cancelled in certain limited situations, including termination for cause, if employment is terminated before the end of the relevant restriction period. For the remainder of the awards granted by the Company, all or a portion of the award may be cancelled if employment is terminated for certain reasons before the end of the relevant restriction period for non-retirement-eligible employees.

Share-based expense was $6.0 million and $11.9 million for the three and six months ended June 30, 2012 of which $0.2 million and $0.7 million was related to the Performance Award, respectively. There was no expense related to the Founders Grant Award for the three and six months ended June 30, 2012 as this award became fully vested on November 14, 2011. Share-based expense was $8.0 million and $16.5 million for the three and six months ended June 30, 2011, respectively, of which $0.7 million and $1.7 million was related to the Founders Grant Award and $2.0 million and $3.8 million was related to the Performance Award for the three and six months ended June 30, 2011, respectively.

12. INCOME TAXES

The Company's provision for income taxes was $44.0 million and $43.8 million for the six months ended June 30, 2012 and 2011, respectively. These amounts reflect effective tax rates of 35.1% and 35.6% for the six months ended June 30, 2012 and 2011, respectively. The effective rate of 35.1% for the six months ended June 30, 2012 reflects the Company's estimate of the effective tax rate for the period and is lower than the prior year because of certain discrete items, the effect of which was to decrease our effective tax rate by 0.6 percentage points, as well as an increase in non-U.S. earnings and decreases in certain of the tax rates applicable to those earnings, partially offset by the loss of benefit associated with the federal research and development credit, which was not reinstated into law as of June 30, 2012.

The Company is under examination by the Internal Revenue Service and other tax authorities in certain countries, such as Japan and the United Kingdom, and states in which the Company has significant business operations, such as New York. The tax years currently under examination vary by jurisdiction. During 2010, Morgan Stanley reached a settlement with New York State and New York City tax authorities on issues relating to tax years 2002 through 2006. The Company will indemnify Morgan Stanley for any additional assessments deemed to be due in accordance with the Tax Sharing Agreement once MSCI's share of the settlement is finalized. The Company has a reserve of $8.4 million to indemnify Morgan Stanley, which has been previously recognized in the Company's financial statements, but has no further information with regards to the settlement amount at this time.

The Company regularly assesses the likelihood of additional assessments in each of the taxing jurisdictions resulting from these open examinations and subsequent years' examinations. The Company has established a liability for unrecognized tax benefits that the Company believes is adequate in relation to the potential for additional assessments. Once established, the Company adjusts unrecognized tax benefits only when more information is available or when an event occurs necessitating a change. At this time it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits and the impact on the effective tax rate over the next 12 months.

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The following table summarizes the major taxing jurisdictions in which the Company and its affiliates operate and the earliest tax years subject to examination for each major jurisdiction:

Tax Jurisdiction	Tax Year
United States	2005
California	2008
New York State	2007
New York City	2005
Hong Kong	2004
United Kingdom	2010
Canada	2005
Japan	2009
India	2008

13. SEGMENT INFORMATION

ASC Subtopic 280-10, "Segment Reporting," establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. MSCI's Chief Executive Officer, who is considered to be its chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. MSCI operates under two segments, the Performance and Risk business and the Governance business. These designations have been made as the discrete operating results of these segments are reviewed by the Company's CODM for purposes of making operating decisions and assessing financial performance.

The Performance and Risk business is a leading global provider of investment decision support tools, including indices, portfolio risk and performance analytics, credit analytics and ESG products. The business provides clients with a broad suite of products and services to assist them with managing equity, fixed income and multi-asset class portfolios. The products are used in many areas of the investment process, including portfolio construction and rebalancing, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, assessment of social responsibility, environmental stewardship and the effects of climate change on investments, investment manager selection and investment research.

The Governance business is a leading provider of corporate governance products and specialized financial research and analysis services to institutional shareholders and corporations around the world. Among other things, the Governance business facilitates the voting of proxies by institutional investors and provides in-depth research and analysis to help inform their voting decisions and identify issuer-specific risk. It offers both global security coverage and fully integrated products and services, including proxy voting, policy creation, research, vote recommendations, vote execution, post-vote disclosure and reporting and analytical tools. Within a firewall, a separate unit of the Governance business also provides products and services to corporate clients who may use those products and services to learn about and improve their governance and executive compensation practices.

Revenues and expenses directly associated with each respective segment are included in determining its operating results. Other expenses that are not directly attributable to a particular segment are allocated based upon allocation methodologies, including time estimates, headcount, net revenues and other relevant usage measures.

The CODM does not review any information regarding total assets on an operating segment basis. Operating segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for MSCI as a whole.

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The following table presents MSCI's operating segments' results for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Operating revenues				
Performance and Risk	$207,576	$195,510	$405,665	$387,558
Governance	30,989	30,973	61,952	62,223
Consolidated	$238,565	$226,483	$467,617	$449,781
Amortization of intangible assets and depreciation and amortization of property, equipment and leasehold improvements				
Performance and Risk	$ 16,456	$ 17,114	$ 32,660	$ 34,435
Governance	4,165	4,477	8,336	8,958
Consolidated	$ 20,621	$ 21,591	$ 40,996	$ 43,393
Operating income				
Performance and Risk	$ 85,980	$ 79,855	$163,455	$152,501
Governance	1,141	2,836	4,645	5,619
Consolidated	$ 87,121	$ 82,691	$168,100	$158,120

Revenue by geography is based on the shipping address of the customer. The following table sets forth revenue for the periods indicated by geographic area:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Revenues				
Americas:				
United States	$123,263	$117,385	$240,266	$224,100
Other	8,374	8,143	15,895	16,170
Total Americas	131,637	125,528	256,161	240,270
Europe, Middle East and Africa ("EMEA"):				
United Kingdom	28,380	25,354	56,210	52,405
Other	47,653	45,841	93,920	99,158
Total EMEA	76,033	71,195	150,130	151,563
Asia & Australia:				
Japan	14,436	14,074	28,819	27,825
Other	16,459	15,686	32,507	30,123
Total Asia & Australia	30,895	29,760	61,326	57,948
Total	$238,565	$226,483	$467,617	$449,781

Long-lived assets consist of property, equipment, leasehold improvements, goodwill and intangible assets, net of accumulated depreciation and amortization.

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The following table sets forth long-lived assets on the dates indicated by geographic area:

	As of	
	June 30, 2012	December 31, 2011
	(in thousands)	
Long-lived assets		
Americas:		
United States	$2,355,449	$2,369,997
Other	4,898	5,145
Total Americas	2,360,347	2,375,142
EMEA:		
United Kingdom	4,435	5,107
Other	6,954	5,617
Total EMEA	11,389	10,724
Asia & Australia:		
Japan	367	364
Other	4,238	4,859
Total Asia & Australia	4,605	5,223
Total	$2,376,341	$2,391,089

14. SUBSEQUENT EVENTS

Management of the Company evaluated subsequent events from July 1, 2012 through the issuance date of this Form 10-Q.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of MSCI Inc.:

We have reviewed the accompanying condensed consolidated statement of financial condition of MSCI Inc. and subsidiaries (the "Company") as of June 30, 2012, the related condensed consolidated statements of income and of comprehensive income for the three and six-month periods ended June 30, 2012 and 2011, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2012 and 2011. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of MSCI Inc. and subsidiaries as of December 31, 2011 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the fiscal year then ended (not presented herein); and in our report dated February 29, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2011 is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York
August 3, 2012

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "Form 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in "Item 1A.—Risk Factors," in our Form 10-K for the fiscal year ended December 31, 2011 as updated by our Form 10-Q for the quarter ended March 31, 2012.

Overview

We are a leading global provider of investment decision support tools, including indices, portfolio risk and performance analytics and corporate governance products and services. Our products and services address multiple markets, asset classes and geographies and are sold to a diverse client base, including asset owners such as pension funds, endowments, foundations, central banks, family offices and insurance companies; institutional and retail asset managers, such as managers of pension assets, mutual funds, exchange traded funds ("ETFs"), hedge funds and private wealth; financial intermediaries such as banks, broker-dealers, exchanges, custodians and investment consultants; and corporate clients. As of June 30, 2012, we had offices in 29 cities in 20 countries to help serve our diverse client base, with 54.8% of our revenue from clients in the Americas, 32.1% in Europe, the Middle East and Africa ("EMEA") and 13.1% in Asia and Australia based on revenues for the six months ended June 30, 2012.

Our principal sales model in both of our business segments is to license annual, recurring subscriptions to our products and services for use at specified locations, often by a given number of users or for a certain volume of services for an annual fee paid up front. We also derive revenues from certain institutional clients that use our indices as the basis for passively managed funds and separate accounts. These clients commonly pay us a license fee for the use of our intellectual property based on the investment product's assets. We generate a limited amount of our revenues from certain exchanges that use our indices as the basis for futures and options contracts and pay us a license fee for the use of our intellectual property based on their volume of trades. We also receive revenues from one-time fees related to implementation, historical or customized reports, advisory and consulting services and overages relating to the proxy research and voting services, fees relating to recovery of securities class action settlements and from certain products and services that are designed for one-time usage.

In evaluating our financial performance, we focus on revenue growth for the company in total and by product category as well as operating profit growth and the level of profitability as measured by our operating margin. Our business is not highly capital intensive and, as such, we expect to continue to convert a high percentage of our operating profits into excess cash in the future. Our revenue growth strategy includes: (a) expanding and deepening our relationships with investment institutions worldwide; (b) developing new and enhancing existing product offerings, including combining existing product features or data derived from our products to create new products; and (c) actively seeking to acquire products, technologies and companies that will enhance, complement or expand our client base and our product offerings.

To maintain and accelerate our revenue and operating income growth, we expect to continue to invest in and expand our operating functions and infrastructure, including additional product management, sales and client support staff and facilities in locations around the world and additional staff and supporting technology for our research and our data operations and technology functions. At the same time, managing and controlling our operating expenses is very important to us and a distinct part of our culture. Over time, our goal is to keep the rate of growth of our operating expenses below the rate of growth of our revenues, allowing us to expand our operating margins. However, at times, because of significant market opportunities, it may be more important for us to invest in our business in order to support increased efforts to attract new clients and to develop new product offerings, rather than emphasize short-term operating margin expansion. Furthermore, in some periods our operating expense growth may exceed our operating revenue growth due to the variability of revenues from several of our products, including our equity indices licensed as the basis of ETFs and non-recurring fees.

Operating Segments

We are operating under two segments: the Performance and Risk business and the Governance business. See Note 13, "Segment Information," for further information about MSCI's operating segments.

Our Performance and Risk business is a leading global provider of investment decision support tools, including equity indices, portfolio risk and performance analytics, credit analytics and environmental, social and governance ("ESG") products. Our Performance and Risk products are used in many areas of the investment

process, including portfolio construction and rebalancing, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, assessment of social responsibility and environmental stewardship and the effects of climate change on investments, investment manager selection and investment research. The flagship products within our Performance and Risk business are our global equity indices and ESG products marketed under the MSCI and ESG brands, our market and credit risk analytics marketed under the RiskMetrics and Barra brands, our portfolio risk and performance analytics covering global equity and fixed income markets marketed under the Barra brand and our valuation models and risk management software for the energy and commodities markets marketed under the FEA brand.

Our Governance business is a leading provider of corporate governance and specialized financial research and analysis services to institutional investors and corporations around the world. Among other things, the Governance business facilitates the voting of proxies by institutional investors and provides in-depth research and analysis to help inform voting decisions and identify issuer-specific risk. The Governance business offers both global security coverage and fully integrated products and services, including proxy voting, policy creation, research, vote recommendations, vote execution, post-vote disclosure and reporting and analytical tools. Within a firewall designed to separate it from the rest of the Governance business, ISS Corporate Services also provides products and services to corporate clients who may use those products and services to learn about and improve their governance practices. The flagship products within our Governance business are our governance research and outsourced proxy voting and reporting services marketed under the ISS brand and our forensic accounting risk research, legal/regulatory risk assessment and due diligence products marketed under the CFRA brand.

Factors Affecting the Comparability of Results

Restructuring

In connection with the acquisition of RiskMetrics, we initiated a plan to restructure our operations to eliminate overlapping positions and duplicative occupancy costs, terminate overlapping vendor contracts, and discontinue the planned integration of a product into RiskMetrics' standard product offering suite. We initiated restructuring activities during the third quarter of 2010 and substantially completed the elimination of overlapping positions in the first quarter of 2011 and the elimination of leases or vendor contracts was substantially completed during the year ended December 31, 2011. See "Restructuring" below and Note 3, "Restructuring," for further information about our restructuring-related activities and estimated costs.

Term Loan Repricing

On June 1, 2010, we entered into a senior secured credit agreement with Morgan Stanley Senior Funding, Inc., as administrative agent, Morgan Stanley & Co. Incorporated, as collateral agent, and the other lenders party thereto, which was comprised of (i) a $1,275.0 million six-year term loan facility (the "2010 Term Loan") and (ii) a $100.0 million five-year revolving credit facility (the "2010 Revolving Credit Facility" and together with the 2010 Term Loan, the "2010 Credit Facility"). On March 14, 2011, we completed the repricing of the 2010 Term Loan. The repricing provided for the incurrence of a new senior secured loan (the "2011 Term Loan") in an aggregate principal amount of $1,125.0 million. The proceeds of the 2011 Term Loan, together with $87.6 million of cash on hand, were used to repay the remaining $1,212.6 million outstanding balance of the 2010 Term Loan in full. The 2011 Term Loan would have matured in March 2017. The repricing decreased the interest rate applicable to the 2011 Term Loan from the London Interbank Offered Rate ("LIBOR") plus 3.25% (with a leverage-based stepdown) to LIBOR plus 2.75% (with a leverage-based stepdown) and reduced the LIBOR floor applicable to the 2011 Term Loan from 1.50% to 1.00%. We incurred $6.1 million in fees associated with the repricing which are reflected in "Other expense (income)" on the Company's Condensed Consolidated Statement of Income for the six months ended June 30, 2011.

On May 4, 2012, we amended and restated our 2010 Credit Facility (the credit agreement as so amended and restated, the "Amended and Restated Credit Facility"). The Amended and Restated Credit Facility provides for the incurrence of a new senior secured five-year Term Loan A Facility (the "2012 Term Loan") in an aggregate amount of $880.0 million and a $100.0 million senior secured revolving facility (the "2012 Revolving Credit Facility"). The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to repay the remaining outstanding principal of the existing 2011 Term Loan. The 2012 Term Loan and the 2012 Revolving Credit Facility mature on May 4, 2017. In connection with the repayment of the 2011 Term Loan, we terminated our then-existing interest rate swaps and have not entered into new interest rate swaps to hedge our debt as such swaps are not required under the Amended and Restated Credit Facility. At June 30, 2012, the 2012 Term Loan bears interest of LIBOR plus 2.25%, or 2.49%. We incurred $20.6 million in expense related to the accelerated amortization of existing fees or the immediate recognition of new fees associated with this transaction in "Interest expense" on the Company's Condensed Consolidated Statement of Income for the three and six months ending June 30, 2012.

The discussion of our results of operations for the three and six months ended June 30, 2012 and 2011 are presented below. The results of operations for interim periods may not be indicative of future results.

Three Months Ended June 30, 2012 Compared to the Three Months Ended June 30, 2011

Results of Operations

	Three Months Ended June 30,		Increase/(Decrease)	
	2012	2011		
	(in thousands, except per share data)			
Operating revenues	$238,565	$226,483	$12,082	5.3%
Operating expenses:				
Cost of services	73,243	68,840	4,403	6.4%
Selling, general and administrative	57,602	53,321	4,281	8.0%
Restructuring	(22)	40	(62)	(155.0)%
Amortization of intangible assets	15,959	16,423	(464)	(2.8)%
Depreciation and amortization of property, equipment, and leasehold improvements	4,662	5,168	(506)	(9.8)%
Total operating expenses	151,444	143,792	7,652	5.3%
Operating income	87,121	82,691	4,430	5.4%
Other expense (income), net	29,860	13,049	16,811	128.8%
Provision for income taxes	19,715	23,982	(4,267)	(17.8)%
Net income	$ 37,546	$ 45,660	$ (8,114)	(17.8)%
Earnings per basic common share	$ 0.31	$ 0.38	$ (0.07)	(18.4)%
Earnings per diluted common share	$ 0.30	$ 0.37	$ (0.07)	(18.9)%
Operating margin	36.5%	36.5%		

Operating Revenues

We are operating under two segments: the Performance and Risk business and the Governance business. Our revenues are grouped into the following five product and/or service categories:

- Index and ESG
- Risk management analytics
- Portfolio management analytics
- Energy and commodity analytics
- Governance

The Performance and Risk business is comprised of index and ESG, risk management analytics, portfolio management analytics and energy and commodity analytics products. The Governance business is comprised of the governance products.

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The following table summarizes the revenue by product category for the three months ended June 30, 2012 compared to the three months ended June 30, 2011:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Increase/(Decrease)	
	(in thousands)			
Index and ESG:				
Subscriptions	$ 75,829	$ 66,275	$ 9,554	14.4 %
Asset based fees	34,094	36,287	(2,193)	(6.0%)
Total index and ESG products	109,923	102,562	7,361	7.2%
Risk management analytics	64,547	60,806	3,741	6.2%
Portfolio management analytics	29,326	29,193	133	0.5%
Energy and commodity analytics	3,780	2,949	831	28.2%
Governance	30,989	30,973	16	0.1%
Total operating revenues	$238,565	$226,483	$12,082	5.3%

Total operating revenues for the three months ended June 30, 2012 increased $12.1 million, or 5.3%, to $238.6 million compared to $226.5 million for the three months ended June 30, 2011. Subscription revenues consist of our revenues related to index and ESG subscriptions, risk management analytics, portfolio management analytics, energy and commodity analytics and governance products.

Our index and ESG products primarily consist of equity index subscriptions, equity index asset based fees products and ESG products. Our index and ESG products are used to benchmark investment performance, as a basis for index-linked investment products, to assess social responsibility, environmental stewardship and the effects of climate change on investments, for research and for investment manager selection. We derive revenues from our index and ESG products through index data and ESG subscriptions, fees based on assets in investment products linked to our indices and non-recurring licenses of our index historical data. Revenues related to index and ESG products increased 7.2% to $109.9 million for the three months ended June 30, 2012 compared to $102.6 million for the three months ended June 30, 2011.

Subscription revenues from the index and ESG products were up 14.4% to $75.8 million for the three months ended June 30, 2012 compared to $66.3 million for the three months ended June 30, 2011, driven by strong growth in revenues from our All Country World Index ("ACWI") core and other index modules as well as higher usage fees. Included in index and ESG revenues for the three months ended June 30, 2012 were $2.2 million of non-recurring revenues, up from $2.0 million in the three months ended June 30, 2011.

Asset based fee revenues attributable to the index and ESG products decreased 6.0% to $34.1 million for the three months ended June 30, 2012 compared to $36.3 million for the three months ended June 30, 2011. The year over year decrease primarily relates to the impact of the lower average value of assets in ETFs linked to MSCI equity indices. The average value of assets in ETFs linked to MSCI equity indices in the aggregate decreased 7.1% to $331.6 billion for the three months ended June 30, 2012 compared to $356.8 billion for the three months ended June 30, 2011. As of June 30, 2012, the value of assets in ETFs linked to MSCI equity indices was $327.4 billion, representing a decrease of 9.2% from $360.5 billion as of June 30, 2011.

Of the $327.4 billion of assets in ETFs linked to MSCI equity indices as of June 30, 2012, 39.0% were linked to emerging market indices, 32.4% were linked to developed markets outside of the U.S., 25.6% were linked to U.S. market indices and 3.0% were linked to other global indices.

The following table sets forth the value of assets in ETFs linked to MSCI indices and the sequential change of such assets as of the periods indicated:

(in Billions)	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
AUM in ETFs linked to MSCI Indices	$ 350.1	$360.5	$ 290.1	$ 301.6	$ 354.7	$327.4
Sequential Change						
Market Appreciation/(Depreciation)	$ 10.1	$ (3.8)	$ (70.4)	$ 10.5	$ 37.9	$ (27.6)
Cash Inflow	6.7	14.2	—	1.0	15.2	0.3
Total Change	$ 16.8	$ 10.4	$ (70.4)	$ 11.5	$ 53.1	$ (27.3)

Source: Bloomberg and MSCI

The following table sets forth the average value of assets in ETFs linked to MSCI indices for the periods indicated:

	Quarterly Average					
	2011				2012	
(in Billions)	March	June	September	December	March	June
AUM in ETFs linked to MSCI Indices	$337.6	$356.8	$ 329.1	$ 305.0	$341.0	$331.6

Source: Bloomberg and MSCI

The historical values of the assets in ETFs linked to our indices as of the last day of the month and the monthly average balance can be found under the link "AUM in ETFs Linked to MSCI Indices" on our website at http://ir.msci.com. This information is updated on the second U.S. business day of each month. Information contained on our website is not incorporated by reference into this Quarterly Report on Form 10-Q or any other report filed with the Securities and Exchange Commission.

Our risk management analytics products offer risk and performance assessment frameworks for managing and monitoring investments in organizations globally. These products allow clients to analyze investments in a variety of asset classes and are based on our proprietary integrated fundamental multi-factor risk models, value-at-risk methodologies, performance attribution frameworks and asset valuation models.

Revenues related to risk management analytics products increased $3.7 million, or 6.2%, to $64.5 million for the three months ended June 30, 2012 compared to $60.8 million for the three months ended June 30, 2011. The increase in risk management analytics revenues was driven by higher revenues from our primary risk management platforms, RiskManager and BarraOne, as well as our wealth management risk systems.

Our portfolio management analytics products consist of equity portfolio analytics tools and fixed income portfolio analytics tools. Revenues related to portfolio management analytics products were flat at $29.3 million for the three months ended June 30, 2012 compared to $29.2 million for three months ended June 30, 2011.

Our energy and commodity analytics products consist of software applications which help users value and model physical assets and derivatives across a number of market segments including energy and commodity assets. Revenues from energy and commodity analytics products increased 28.2% to $3.8 million for the three months ended June 30, 2012 compared to $2.9 million for the three months ended June 30, 2011. At the beginning of 2012, we corrected an error in our revenue recognition policy for our energy and commodity analytics products. The correction resulted in a greater proportion of annual revenue being recognized during the three months ended June 30, 2012 than during the three months ended June 30, 2011. See Note 1, "Introduction And Basis Of Presentation," of the Notes to the Condensed Consolidated Financial Statements for further information.

Our governance products consist of corporate governance products and services, including proxy research, recommendation and voting services for institutional investors as well as governance advisory and compensation data analytics for corporations. They also include equity research based on forensic accounting research as well as class action monitoring and claims filing services to aid institutional investors in the recovery of funds from class action securities litigation. Governance products were flat at $31.0 million for both the three months ended June 30, 2012 and 2011. Within the governance products, subscription revenues increased $1.0 million to $27.8 million and non-recurring revenues decreased $1.0 million to $3.2 million for the three months ended June 30, 2012 with the changes primarily resulting from a product shift towards subscription-based products.

Run Rate

At the end of any period, we generally have subscription and investment product license agreements in place for a large portion of our total revenues for the following 12 months. We measure the fees related to these agreements and refer to this as our "Run Rate." The Run Rate at a particular point in time represents the forward-looking fees for the next 12 months from all subscriptions and investment product licenses we currently provide to our clients under renewable contracts assuming all contracts that come up for renewal are renewed and assuming then-current exchange rates. For any subscription or license where fees are linked to an investment product's assets or trading volume, the Run Rate calculation reflects an annualization of the most recent periodic fee earned under such subscription or license. The Run Rate does not include fees associated with "one-time" and other non-recurring transactions. In addition, we remove from the Run Rate the fees associated with any subscription or investment product license agreement with respect to which we have received a notice of termination or non-renewal during the period and we have determined that such notice evidences the client's final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date.

Because the Run Rate represents potential future fees, there is typically a delayed impact on our operating revenues from changes in our Run Rate. In addition, the actual amount of revenues we will realize over the following 12 months will differ from the Run Rate because of:

- revenues associated with new subscriptions and non-recurring sales;
- modifications, cancellations and non-renewals of existing agreements, subject to specified notice requirements;
- fluctuations in asset based fees, which may result from market movements or from investment inflows into and outflows from investment products linked to our indices;
- fluctuations in fees based on trading volumes of futures and options contracts linked to our indices;
- fluctuations in the number of hedge funds for which we provide investment information and risk analysis to hedge fund investors;
- price changes;
- revenue recognition differences under U.S. GAAP;
- fluctuations in foreign exchange rates; and
- the impact of acquisitions and dispositions.

The following table sets forth our Run Rates as of the dates indicated and the percentage growth over the periods indicated:

	As of				
	June 30, 2012	June 30, 2011	March 31, 2012	Year Over Year Comparison	Sequential Comparison
	(in thousands)				
Run Rates					
Index and ESG products					
Subscription	$285,604	$257,470	$278,541	10.9%	2.5%
Asset based fees	129,045	140,144	136,962	(7.9)%	(5.8)%
Index and ESG products total	414,649	397,614	415,503	4.3%	(0.2)%
Risk management analytics	258,995	249,048	257,973	4.0 %	0.40%
Portfolio management analytics	117,153	118,452	117,751	(1.1)%	(0.5)%
Energy and commodity analytics	14,839	15,074	14,926	(1.6)%	(0.6)%
Governance	113,976	107,755	113,054	5.8%	0.8%
Total Run Rate	$919,612	$887,943	$919,207	3.6%	— %
Subscription total	$790,567	$747,799	$782,245	5.7%	1.1%
Asset based fees total	129,045	140,144	136,962	(7.9)%	(5.8)%
Total Run Rate	$919,612	$887,943	$919,207	3.6%	— %

Aggregate and Core Retention Rates

The following table sets forth our Aggregate Retention Rates by product category for the indicated three months ended:

	June 30, 2012	June 30, 2011
Index and ESG products	94.9%	92.8%
Risk management analytics	90.0%	92.2%
Portfolio management analytics	84.2%	91.4%
Energy and commodity analytics	85.5%	88.8%
Governance	92.1%	90.4%
Total	91.0%	91.9%

The following table sets forth our Core Retention Rates by product category for the indicated three months ended:

	June 30, 2012	June 30, 2011
Index and ESG products	95.0%	92.8%
Risk management analytics	92.0%	92.7%
Portfolio management analytics	87.0%	93.2%
Energy and commodity analytics	85.5%	88.8%
Governance	92.2%	90.4%
Total	92.2%	92.4%

The quarterly Aggregate Retention Rates are calculated by annualizing the cancellations for which we have received a notice of termination or non-renewal during the quarter and have determined that such notice evidences the client's final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Aggregate Retention Rate for the quarter. The Aggregate Retention Rate is computed on a product-by-product basis. Therefore, if a client reduces the number of products to which it subscribes or switches between our products, we treat it as a cancellation. In addition, we treat any reduction in fees resulting from renegotiated contracts as a cancellation in the calculation to the extent of the reduction.

For the calculation of the Core Retention Rate the same methodology is used except the cancellations in the quarter are reduced by the amount of product swaps. We do not calculate Aggregate or Core Retention Rates for that portion of our Run Rate attributable to assets in investment products linked to our indices or to trading volumes of futures and options contracts linked to our indices.

In our businesses, Aggregate and Core Retention Rates are generally higher during the first three fiscal quarters and lower in the fourth fiscal quarter.

Operating Expenses

We group our operating expenses into five categories:

- Cost of services
- Selling, general and administrative ("SG&A")
- Restructuring
- Amortization of intangible assets
- Depreciation and amortization of property, equipment, and leasehold improvements

In both the cost of services and SG&A expense categories, compensation and benefits represent the majority of our expenses. Other costs associated with the number of employees such as office space and professional services are included in both the cost of services and SG&A expense categories and are consistent with the allocation of employees to those respective areas.

The following table shows operating expenses by each of the categories:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Increase(Decrease)	
	(in thousands)			
Cost of services:				
Compensation and benefits	$ 55,586	$ 49,226	$ 6,360	12.9%
Non-compensation expenses	17,657	19,614	(1,957)	(10.0)%
Total cost of services	73,243	68,840	4,403	6.4%
Selling, general and administrative:				
Compensation and benefits	38,123	35,935	2,188	6.1%
Non-compensation expenses	19,479	17,386	2,093	12.0%
Total selling, general and administrative	57,602	53,321	4,281	8.0%
Restructuring	(22)	40	(62)	(155.0)%
Amortization of intangible assets	15,959	16,423	(464)	(2.8)%
Depreciation and amortization of property, equipment, and leasehold improvements	4,662	5,168	(506)	(9.8)%
Total operating expenses	$151,444	$143,792	$ 7,652	5.3%
Compensation and benefits	$ 93,709	$ 85,161	$ 8,548	10.0%
Non-compensation expenses	37,136	37,000	136	0.4%
Restructuring	(22)	40	(62)	(155.0)%
Amortization of intangible assets	15,959	16,423	(464)	(2.8)%
Depreciation and amortization of property, equipment, and leasehold improvements	4,662	5,168	(506)	(9.8)%
Total operating expenses	$151,444	$143,792	$ 7,652	5.3%

Compensation and benefits expenses represent the majority of our expenses across all of our operating functions and typically have represented approximately 60% of total operating expenses. These costs generally contribute to the majority of our expense increases from period to period, reflecting increased compensation and benefits expenses for current staff and increased staffing levels. Continued growth of our emerging market centers around the world is an important factor in our ability to manage and control the growth of our compensation and benefit expenses. As of June 30, 2012, 41.7% of our employees were located in emerging market centers compared to 34.5% as of June 30, 2011.

During the three months ended June 30, 2012, compensation and benefits costs were $93.7 million, an increase of $8.5 million, or 10.0%, compared to $85.2 million for the three months ended June 30, 2011. We had 2,384 and 2,133 employees as of June 30, 2012 and 2011, respectively. The increase in compensation and benefits costs reflects higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense.

Stock-based compensation expense for the three months ended June 30, 2012 was $5.8 million, a decrease of $2.0 million, or 26.3%, compared to $7.8 million for the three months ended June 30, 2011. The decrease was primarily caused by lower expense associated with the amortization of the Founders Grant Award and the Performance Award. The decrease in the expense related to the Founders Grant Award is attributable to the award's final vesting that occurred in November 2011. The decrease in the expense related to Performance Award is attributable to both the time-vesting of the first tranche of the award and a decrease in the number of shares expected to be distributed at vesting during the three months ended June 30, 2012 compared to the same period in 2011. Approximately $1.0 million of the stock-based compensation expense was related to the Founders Grant Award for the three months ended June 30, 2011. For the three months ended June 30, 2012 and 2011, approximately $0.2 million and $2.0 million, respectively, of the stock-based compensation expense was associated with the Performance Award granted in June 2010.

Non-compensation expenses for the three months ended June 30, 2012 were flat at $37.1 million compared to $37.0 million for the three months ended June 30, 2011. Higher occupancy costs driven primarily by the duplicative rent costs

associated with our 7 World Trade Center lease and higher information technology costs were offset by lower outside professional fees, market data costs and other non-compensation costs. See “Liquidity and Capital Resources” below for further information regarding the 7 World Trade Center lease.

Cost of Services

Cost of services includes costs related to our research, data management and production, software engineering and product management functions. Costs in these areas include staff compensation and benefits, occupancy costs, market data fees and information technology services. Compensation and benefits generally contribute to a majority of our expense increases from period to period, reflecting increases for existing staff and increased staffing levels. For the three months ended June 30, 2012, total cost of services increased $4.4 million, or 6.4%, to $73.2 million compared to $68.8 million for the three months ended June 30, 2011.

Compensation and benefits expenses for the three months ended June 30, 2012 increased $6.4 million to $55.6 million compared to $49.2 million for the three months ended June 30, 2011. The increase reflects higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense.

Non-compensation expenses for the three months ended June 30, 2012 decreased 10.0% to $17.8 million compared to $19.6 million for the three months ended June 30, 2011. The decrease was driven by lower market data costs, outside professional fees and other non-compensation costs partially offset by higher occupancy costs.

Selling, General and Administrative

SG&A includes expenses for our sales and marketing staff, and our finance, human resources, legal and compliance, information technology infrastructure and corporate administration personnel. As with cost of services, the largest expense in this category relates to compensation and benefits. Other significant expenses are for occupancy costs, consulting services and information technology costs. For the three months ended June 30, 2012, SG&A was $57.6 million, an increase of $4.3 million, or 8.0%, compared to $53.3 million for the three months ended June 30, 2011.

Compensation and benefits expenses increased $2.2 million to $38.1 million for the three months ended June 30, 2012 compared to $35.9 million for the three months ended June 30, 2011. The same as with compensation and benefits expenses in cost of services, the increase reflects higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense.

Non-compensation expenses for the three months ended June 30, 2012 increased $2.1 million, or 12.0%, to $19.5 million compared to $17.4 million for the three months ended June 30, 2011. The increase was primarily driven by higher occupancy and information technology costs and other non-income taxes partially offset by lower outside professional fees, marketing and other non-compensation costs.

Amortization of Intangibles

Amortization of intangibles expense relates to the intangible assets arising from the acquisition of Barra in June 2004, RiskMetrics in June 2010 and Measurisk in July 2010. Amortization of intangibles expense totaled $16.0 million and $16.4 million for the three months ended June 30, 2012 and 2011, respectively. The decrease in expense resulted from a portion of the intangibles arising from the RiskMetrics and Measurisk acquisitions becoming fully amortized.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment, and leasehold improvements totaled $4.7 million and $5.2 million for the three months ended June 30, 2012 and 2011, respectively. The decrease is primarily related to the impact of eliminating certain assets associated with duplicative occupancy and certain information technology assets becoming fully depreciated.

Other Expense (Income), Net

Other expense (income), net for the three months ended June 30, 2012 was $29.9 million, an increase of $16.8 million compared to $13.1 million for the three months ended June 30, 2011. The increase is primarily the result of the expensing of $20.6 million in fees related to the accelerated amortization of existing fees or the immediate recognition of new fees associated with the May 4, 2012 refinancing partially offset by the impact on interest expense of lower average outstanding principal on our debt and lower associated interest rates.

Provision For Income Taxes

The provision for income tax expense for the three months ended June 30, 2012 was $19.7 million, a decrease of $4.3 million, or 17.8%, compared to $24.0 million for the three months ended June 30, 2011. These amounts reflect effective tax rates of 34.4% for both the three months ended June 30, 2012 and 2011. The $4.3 million decrease was the result of lower income before provision for income taxes in the three months ended June 30, 2012 compared to the same period in 2011.

Segment Results of Operations

The results of operations by segment for the three months ended June 30, 2012 and June 30, 2011 are as follows:

	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011			Percentage Change		
	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total
	(in thousands)								
Operating revenues	$ 207,576	$ 30,989	$238,565	$ 195,510	$ 30,973	$226,483	6.2%	0.1%	5.3%
Cost of services	56,462	16,781	73,243	52,659	16,181	68,840	7.2%	3.7%	6.4%
Selling, general and administrative	48,691	8,911	57,602	45,810	7,511	53,321	6.3%	18.6%	8.0%
Restructuring	(13)	(9)	(22)	72	(32)	40	(118.1%)	(71.9%)	(155.0%)
Amortization of intangible assets	12,639	3,320	15,959	13,073	3,350	16,423	(3.3%)	(0.9%)	(2.8%)
Depreciation and amortization of property, equipment and leasehold improvements	3,817	845	4,662	4,041	1,127	5,168	(5.5%)	(25.0%)	(9.8%)
Total operating expenses	121,596	29,848	151,444	115,655	28,137	143,792	5.1%	6.1%	5.3%
Operating income	85,980	1,141	87,121	79,855	2,836	82,691	7.7%	(59.8%)	5.4%
Other expense (income), net			29,860			13,049			128.8%
Income before provision for income taxes			57,261			69,642			(17.8%)
Provision for income taxes			19,715			23,982			(17.8%)
Net income			$ 37,546			$ 45,660			(17.8%)

Performance and Risk

Total operating revenues for the Performance and Risk business increased $12.1 million, or 6.2%, to $207.6 million for the three months ended June 30, 2012. The increase was primarily driven by higher revenues from MSCI's core benchmark indices and growth within our risk management analytics products partially offset by lower index and ESG asset based fees.

Cost of services for the Performance and Risk business increased $3.8 million, or 7.2%, to $56.5 million for the three months ended June 30, 2012. Within cost of services, compensation and benefits expenses increased $5.5 million to $43.6 million as a result of higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense. Non-compensation expenses decreased $1.7 million to $12.8 million.

SG&A expense for the Performance and Risk business increased $2.9 million, or 6.3%, to $48.7 million for the three months ended June 30, 2012. Within SG&A, compensation and benefits expenses increased $1.3 million to $32.3 million as a result of higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense. Non-compensation expenses increased $1.6 million to $16.4 million.

Amortization of intangibles expense for the Performance and Risk business totaled $12.6 million and $13.1 million for the three months ended June 30, 2012 and 2011, respectively. The decrease in expense resulted from a portion of the intangibles arising from the RiskMetrics and Measurisk acquisitions becoming fully amortized.

Depreciation and amortization of property, equipment, and leasehold improvements for the Performance and Risk business totaled $3.8 million and $4.0 million for the three months ended June 30, 2012 and 2011, respectively. The decrease is primarily related to the impact of eliminating duplicative occupancy related assets and certain information technology assets becoming fully depreciated.

Governance

Total operating revenues for the Governance business were flat at $31.0 million for both the three months ended June 30, 2012 and 2011. Within the Governance business, subscription revenues increased $1.0 million to $27.8 million and non-recurring revenues decreased $1.0 million to $3.2 million for the three months ended June 30, 2012 with the changes primarily resulting from a product shift towards subscription-based products.

Cost of services for the Governance business increased $0.6 million to $16.8 million for the three months ended June 30, 2012. Compensation and benefits expenses increased $0.8 million to $12.0 million primarily as a result of higher severance costs while non-compensation expenses decreased $0.2 million to $4.8 million.

SG&A expense for the Governance business increased $1.4 million to $8.9 million for the three months ended June 30, 2012. Within SG&A, compensation and benefits expenses increased $0.8 million to $5.8 million as a result of higher costs related to increased staffing levels, higher severance costs and increased post-retirement and other expenses partially offset by lower stock-based compensation expense. Non-compensation expenses increased $0.6 million to $3.1 million.

Amortization of intangibles expense for the Governance business totaled $3.3 million and $3.4 million for the three months ended June 30, 2012 and 2011, respectively. The decrease in expense resulted from a portion of the intangibles arising from the RiskMetrics acquisition becoming fully amortized.

Depreciation and amortization of property, equipment, and leasehold improvements for the Governance business totaled $0.8 million and $1.1 million for the three months ended June 30, 2012 and 2011, respectively. The decrease is primarily related to the impact of eliminating duplicative occupancy related assets.

Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

Results of Operations

	Six Months Ended June 30,		Increase/(Decrease)	
	2012	2011		
	(in thousands, except per share data)			
Operating revenues	$467,617	$449,781	$17,836	4.0%
Operating expenses:				
Cost of services	145,534	139,058	6,476	4.7%
Selling, general and administrative	113,038	104,739	8,299	7.9%
Restructuring	(51)	4,471	(4,522)	(101.1)%
Amortization of intangible assets	31,918	33,115	(1,197)	(3.6)%
Depreciation and amortization of property, equipment, and leasehold improvements	9,078	10,278	(1,200)	(11.7)%
Total operating expenses	299,517	291,661	7,856	2.7%
Operating income	168,100	158,120	9,980	6.3%
Other expense (income), net	42,600	35,134	7,466	21.3%
Provision for income taxes	43,988	43,805	183	0.4%
Net income	$ 81,512	$ 79,181	$ 2,331	2.9%
Earnings per basic common share	$ 0.66	$ 0.65	$ 0.01	1.5%
Earnings per diluted common share	$ 0.66	$ 0.64	$ 0.02	3.1%
Operating margin	35.9%	35.2%		

Operating Revenues

The following table summarizes the revenue by product category for the six months ended June 30, 2012 compared to the six months ended June 30, 2011:

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Increase/(Decrease)	
	(in thousands)			
Index and ESG:				
Subscriptions	$147,468	$128,434	$19,034	14.8%
Asset based fees	68,703	74,156	(5,453)	(7.4%)
Total index and ESG products	216,171	202,590	13,581	6.7%
Risk management analytics	128,624	119,672	8,952	7.5%
Portfolio management analytics	58,389	58,477	(88)	(0.2%)
Energy and commodity analytics	2,481	6,819	(4,338)	(63.6%)
Governance	61,952	62,223	(271)	(0.4%)
Total operating revenues	$467,617	$449,781	$17,836	4.0%

Total operating revenues for the six months ended June 30, 2012 increased $17.8 million, or 4.0%, to $467.6 million compared to $449.8 million for the six months ended June 30, 2011. During the six months ended June 30, 2012, as a result of a one-time non-cash adjustment, we recorded a $5.2 million cumulative revenue reduction to correct an immaterial error related to revenues previously reported through December 31, 2011. See Note 1, "Introduction And Basis Of Presentation," of the Notes to the Condensed Consolidated Financial Statements for further information. The effect of recording this adjustment in the first quarter resulted in a one-time decrease to the energy and commodity analytics products revenues and an increase in deferred revenues. Previously, our policy resulted in the immediate recognition of a substantial portion of the revenue for certain energy and commodity analytics product related contracts, the terms of which were generally one year. However, it was determined that the entire license fee related to these contracts should be recognized ratably over the term of the license. As such, we made the cumulative adjustment effective January 1, 2012 and started recognizing revenue for all contracts still in effect as of this date ratably over the remainder of the term and will recognize revenue ratably over the contract term for any new contracts entered into on January 1, 2012 and thereafter.

Revenues related to index products increased 6.7% to $216.2 million for the six months ended June 30, 2012 compared to $202.6 million for the six months ended June 30, 2011. Subscription revenues from the index and ESG products were up 14.8% to $147.5 million for the six months ended June 30, 2012 compared to $128.4 million for the six months ended June 30, 2011. The increase was driven by strong growth in revenues from our ACWI core and other index modules as well as higher usage fees. Included in index and ESG revenues for the six months ended June 30, 2012 were $4.7 million of non-recurring revenues, up $1.1 million from the six months ended June 30, 2011.

Asset based fee revenues attributable to the index and ESG products decreased 7.4% to $68.7 million for the six months ended June 30, 2012 compared to $74.2 million for the six months ended June 30, 2011. The year over year difference primarily relates to the impact of $4.3 million of non-recurring revenue recognized during the six months ended June 30, 2011 with no similar revenue recognized during the current period as well as the impact of the decrease in the average values in assets in ETFs linked to MSCI equity indices. The average value of assets in ETFs linked to MSCI equity indices in the aggregate decreased 3.4% to $336.4 billion for the six months ended June 30, 2012 compared to $348.1 billion for the six months ended June 30, 2011.

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The following table sets forth the average value of assets in ETFs linked to our indices for the year-to-date periods indicated:

	Year-to-Date Average					
	2011				2012	
(in Billions)	March	June	September	December	March	June
AUM in ETFs linked to MSCI Indices	$337.6	$348.1	$ 340.1	$ 333.5	$341.0	$336.4

Source: Bloomberg and MSCI

Revenues related to risk management analytics products increased $8.9 million, or 7.5%, to $128.6 million for the six months ended June 30, 2012 compared to $119.7 million for the six months ended June 30, 2011. Approximately $7.6 million of the growth reflects an increase of sales in BarraOne and RiskManager products.

Our portfolio management analytics products consist of equity portfolio analytics tools and fixed income portfolio analytics tools. Revenues related to portfolio management analytics products were flat at $58.4 million for the six months ended June 30, 2012 compared to $58.5 million for six months ended June 30, 2011.

As a result of the revenue adjustment discussed earlier, revenues from energy and commodity analytics products decreased $4.3 million to $2.5 million for the six months ended June 30, 2012 compared to $6.8 million for the six months ended June 30, 2011. Excluding the impact of the revenue adjustment recorded during the six months ended June 30, 2012, revenues from our energy and commodity analytics products would have been higher by $0.9 million compared to the six months ended June 30, 2011.

Governance products decreased 0.4% to $62.0 million for the six months ended June 30, 2012 compared to $62.2 million for the six months ended June 30, 2011. Within the governance products, subscription revenues increased $2.5 million to $55.1 million and non-recurring revenues decreased $2.8 million to $6.9 million for the six months ended June 30, 2012 with the changes primarily resulting from a product shift towards subscription-based products.

Aggregate and Core Retention Rates

The following table sets forth our Aggregate Retention Rates by product category for the indicated six months ended:

	June 30, 2012	June 30, 2011
Index and ESG products	94.7%	93.9%
Risk management analytics	91.9%	93.0%
Portfolio management analytics	88.0%	90.0%
Energy and commodity analytics	87.8%	82.9%
Governance	90.4%	87.7%
Total	92.0%	91.8%

The following table sets forth our Core Retention Rates by product category for the indicated six months ended:

	June 30, 2012	June 30, 2011
Index and ESG products	94.8%	94.0%
Risk management analytics	92.9%	93.5%
Portfolio management analytics	89.6%	91.5%
Energy and commodity analytics	88.1%	82.9%
Governance	90.4%	87.7%
Total	92.6%	92.2%

The Aggregate Retention Rates for any six-month period are calculated by annualizing the cancellations for which we have received a notice of termination or non-renewal during the period and have determined that such notice evidences the client's final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Aggregate Retention Rate for the six-month period. The Aggregate Retention Rate is computed on a product-by-product basis. Therefore, if a client reduces the number of products to which it subscribes or switches between our products, we treat it as a cancellation. In addition, we treat any reduction in fees resulting from renegotiated contracts as a cancellation in the calculation to the extent of the reduction.

For the calculation of the Core Retention Rate the same methodology is used except the cancellations in the quarter are reduced by the amount of product swaps. We do not calculate Aggregate or Core Retention Rates for that portion of our Run Rate attributable to assets in investment products linked to our indices or to trading volumes of futures and options contracts linked to our indices.

In our businesses, Aggregate and Core Retention Rates are generally higher during the first half and lower in the second half of the year.

Operating Expenses

The following table shows operating expenses by each of the categories:

	Six Months Ended June 30,			
	2012	2011	Increase/(Decrease)	
	(in thousands)			
Cost of services:				
Compensation and benefits	$109,403	$101,439	$ 7,964	7.9%
Non-compensation expenses	36,131	37,619	(1,488)	(4.0)%
Total cost of services	145,534	139,058	6,476	4.7%
Selling, general and administrative:				
Compensation and benefits	76,929	72,422	4,507	6.2%
Non-compensation expenses	36,109	32,317	3,792	11.7%
Total selling, general and administrative	113,038	104,739	8,299	7.9%
Restructuring	(51)	4,471	(4,522)	(101.1)%
Amortization of intangible assets	31,918	33,115	(1,197)	(3.6)%
Depreciation and amortization of property, equipment, and leasehold improvements	9,078	10,278	(1,200)	(11.7)%
Total operating expenses	$299,517	$291,661	$ 7,856	2.7%
Compensation and benefits	$186,332	$173,861	$12,471	7.2%
Non-compensation expenses	72,240	69,936	2,304	3.3%
Restructuring	(51)	4,471	(4,522)	(101.1)%
Amortization of intangible assets	31,918	33,115	(1,197)	(3.6)%
Depreciation and amortization of property, equipment, and leasehold improvements	9,078	10,278	(1,200)	(11.7)%
Total operating expenses	$299,517	$291,661	$ 7,856	2.7%

During the six months ended June 30, 2012, compensation and benefits costs were $186.3 million, an increase of 7.2% compared to $173.9 million for the six months ended June 30, 2011. The increase in compensation and benefits costs reflects higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense. Continued growth of our emerging market centers around the world is an important factor in our ability to manage and control the growth of our compensation and benefit expenses.

Stock-based compensation expense for the six months ended June 30, 2012 was $11.4 million compared to $16.1 million for the six months ended June 30, 2011. The decrease in the expense related to the Founders Grant Award is attributable to the award's final vesting that occurred in November 2011. The decrease in the expense related to Performance Award is

attributable to both the time-vesting of the first tranche of the award and a decrease in the number of shares expected to be distributed at vesting during the six months ended June 30, 2012 compared to the same period in 2011. For the six months ended June 30, 2012 and 2011, approximately $0.8 million and $3.8 million, respectively, of the stock-based compensation expense was associated with the Performance Award granted in June 2010. No stock-based compensation expense associated with the Founders Grant Award was incurred during the six months ended June 30, 2012 and approximately $1.7 million was incurred during the six months ended June 30, 2011.

Non-compensation expenses for the six months ended June 30, 2012 were $72.2 million, an increase of $2.3 million, or 3.3%, compared to $69.9 million for the six months ended June 30, 2011. The increase was primarily related to higher occupancy costs driven primarily by the duplicative rent costs associated with entering into our 7 World Trade Center lease which began on February 1, 2012. See “Liquidity and Capital Resources” below for further information regarding this lease.

Cost of Services

For the six months ended June 30, 2012, total cost of services increased 4.7% to $145.5 million compared to $139.1 million for the six months ended June 30, 2011. Compensation and benefits expenses for the six months ended June 30, 2012 increased $8.0 million to $109.4 million compared to $101.4 million for the six months ended June 30, 2011. The increase reflects higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense.

Non-compensation expenses for the six months ended June 30, 2012 decreased $1.5 million to $36.1 million compared to $37.6 million for the six months ended June 30, 2011. The decrease was primarily driven by lower market data and other non-compensation costs partially offset by higher occupancy costs.

Selling, General and Administrative

For the six months ended June 30, 2012, SG&A was $113.0 million, an increase of $8.3 million, or 7.9%, compared to $104.7 million for the six months ended June 30, 2011. Compensation and benefits expenses increased $4.5 million to $76.9 million for the six months ended June 30, 2012 compared to $72.4 million for the six months ended June 30, 2011. The same as with compensation and benefits expenses in cost of services, the increase reflects higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense.

Non-compensation expenses for the six months ended June 30, 2012 increased $3.8 million, or 11.7%, to $36.1 million compared to $32.3 million for the six months ended June 30, 2011. The increase was primarily driven by higher information technology and occupancy costs partially offset by lower outside professional fees and other non-compensation costs.

Restructuring

There was less than $0.1 million of restructuring benefits recognized during the six months ended June 30, 2012, relating to adjustments made for costs accrued for the elimination of overlapping positions. Restructuring expense was $4.5 million for the six months ended June 30, 2011. Approximately $0.5 million of the 2011 expense was associated with the elimination of overlapping positions and $3.9 million of the expense was associated with eliminating duplicative occupancy costs.

Amortization of Intangibles

Amortization of intangibles expense relates to the intangible assets arising from the acquisition of Barra in June 2004, RiskMetrics in June 2010 and Measurisk in July 2010. Amortization of intangibles expense totaled $31.9 million and $33.1 million for the six months ended June 30, 2012 and 2011, respectively. The decrease in expense resulted from a portion of the intangibles arising from the RiskMetrics and Measurisk acquisitions becoming fully amortized.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment, and leasehold improvements totaled $9.1 million and $10.3 million for the six months ended June 30, 2012 and 2011, respectively. The decrease is primarily related to the impact of eliminating duplicative occupancy related assets and certain information technology assets becoming fully depreciated.

Other Expense (Income), Net

Other expense (income), net for the six months ended June 30, 2012 was $42.6 million, an increase of $7.5 million compared to $35.1 million for the six months ended June 30, 2011. The increase primarily reflects an increase of $14.5 million in fees associated with our debt refinancings partially offset by the impact of lower average outstanding principal on our debt and lower interest rates.

Provision For Income Taxes

The provision for income tax expense for the six months ended June 30, 2012 was $44.0 million, an increase of $0.2 million, or 0.4%, compared to $43.8 million for the six months ended June 30, 2011. These amounts reflect effective tax rates of 35.1% and 35.6% for the six months ended June 30, 2012 and 2011, respectively. The effective rate of 35.1% for the six months ended June 30, 2012 reflects the Company's estimate of the effective tax rate for the period and is lower than the prior year because of certain discrete items, the effect of which was to decrease our effective tax rate by 0.6 percentage points, as well as an increase in non-U.S. earnings and decreases in certain of the tax rates applicable to those earnings, partially offset by the loss of the benefit associated with the federal research and development credit, which was not reinstated into law as of June 30, 2012.

Segment Results of Operations

The results of operations by segment for the six months ended June 30, 2012 and June 30, 2011 are as follows:

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011			Percentage Change		
	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total
	(in thousands)								
Operating revenues	$ 405,665	$ 61,952	$467,617	$ 387,558	$ 62,223	$449,781	4.7%	0.4%	4.0%
Cost of services	113,385	32,149	145,534	107,758	31,300	139,058	5.2%	2.7%	4.7%
Selling, general and administrative	96,197	16,841	113,038	90,476	14,263	104,739	6.3%	18.1%	7.9%
Restructuring	(32)	(19)	(51)	2,388	2,083	4,471	(101.3%)	(100.9%)	(101.1%)
Amortization of intangible assets	25,278	6,640	31,918	26,415	6,700	33,115	(4.3%)	(0.9%)	(3.6%)
Depreciation and amortization of property, equipment and leasehold improvements	7,382	1,696	9,078	8,020	2,258	10,278	(8.0%)	(24.9%)	(11.7%)
Total operating expenses	242,210	57,307	299,517	235,057	56,604	291,661	3.0%	1.2%	2.7%
Operating income	163,455	4,645	168,100	152,501	5,619	158,120	7.2%	(17.3%)	6.3%
Other expense (income), net			42,600			35,134			21.3%
Income before provision for income taxes			125,500			122,986			2.0%
Provision for income taxes			43,988			43,805			0.4%
Net income			$ 81,512			$ 79,181			2.9%

Performance and Risk

Total operating revenues for the Performance and Risk business increased $18.1 million, or 4.7%, to $405.7 million for the six months ended June 30, 2012. The increase was primarily driven by higher revenues from MSCI's core benchmark indices and growth within our risk management analytics products partially offset by lower revenues from energy and commodity analytics and index and ESG asset based fees.

Cost of services for the Performance and Risk business increased $5.6 million, or 5.2%, to $113.4 million for the six months ended June 30, 2012. Within cost of services, compensation and benefits expenses increased $7.4 million to $86.5 million as a result of higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense. Non-compensation expenses decreased $1.8 million to $26.9 million. The decrease was primarily driven by lower market data and other non-compensation costs partially offset by higher occupancy costs.

SG&A expense for the Performance and Risk business increased $5.7 million, or 6.3%, to $96.2 million for the six months ended June 30, 2012. Within SG&A, compensation and benefits expenses increased $3.2 million to $65.6 million as a result of higher costs related to increased staffing levels, higher severance costs and higher post-retirement and other expenses partially offset by lower stock-based compensation expense. Non-compensation expenses increased $2.5 million to $30.6 million primarily driven by higher occupancy costs.

Amortization of intangibles expense for the Performance and Risk business totaled $25.3 million and $26.4 million for the six months ended June 30, 2012 and 2011, respectively. The decrease in expense resulted from a portion of the intangibles arising from the RiskMetrics and Measurisk acquisitions becoming fully amortized.

Depreciation and amortization of property, equipment, and leasehold improvements for the Performance and Risk business totaled $7.4 million and $8.0 million for the six months ended June 30, 2012 and 2011, respectively. The decrease is primarily related to the impact of eliminating duplicative occupancy related assets and certain information technology assets becoming fully depreciated.

Governance

Total operating revenues for the Governance business decreased $0.3 million, or 0.4%, to $62.0 million for the six months ended June 30, 2012. Within the Governance business, subscription revenues increased $2.5 million to $55.1 million and non-recurring revenues decreased $2.8 million to $6.9 million for the six months ended June 30, 2012 with the changes primarily resulting from a product shift towards subscription-based products.

Cost of services for the Governance business increased $0.8 million to $32.1 million for the six months ended June 30, 2012. Compensation and benefits expenses increased $0.5 million to $22.9 million as a result of higher costs related to increased staffing levels and higher severance costs partially offset by lower stock-based compensation expense while non-compensation expenses increased $0.3 million to $9.2 million, driven primarily by higher occupancy costs.

SG&A expense for the Governance business increased $2.6 million to $16.8 million for the six months ended June 30, 2012. Within SG&A, compensation and benefits expenses increased $1.3 million to $11.3 million as a result of higher costs related to increased staffing levels and higher severance costs partially offset by lower stock-based compensation expense. Non-compensation expenses increased $1.3 million to $5.5 million.

Amortization of intangibles expense for the Governance business totaled $6.6 million and $6.7 million for the six months ended June 30, 2012 and 2011, respectively. The decrease in expense resulted from a portion of the intangibles arising from the RiskMetrics acquisition becoming fully amortized.

Depreciation and amortization of property, equipment, and leasehold improvements for the Governance business totaled $1.7 million and $2.3 million for the six months ended June 30, 2012 and 2011, respectively. The decrease is primarily related to the impact of eliminating duplicative occupancy related assets.

Critical Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, “Introduction and Basis of Presentation,” of the Notes to Consolidated Financial Statements included in our Form 10-K for the fiscal year ended December 31, 2011 and also in Note 2, “Recent Accounting Standards Updates,” in the Notes to Condensed Consolidated Financial Statements included herein. We discuss our critical accounting estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the fiscal year ended December 31, 2011. There were no significant changes in our accounting policies or critical accounting estimates since the end of the fiscal year ended December 31, 2011.

Liquidity and Capital Resources

We require capital to fund ongoing operations, internal growth initiatives and acquisitions. Our primary sources of liquidity are cash flows generated from our operations, proceeds from the maturity and sale of our short-term investments, existing cash and cash equivalents and credit capacity under our credit facilities. We intend to use these sources of liquidity to service our existing and future debt obligations and fund our working capital requirements, capital expenditures, investments and acquisitions. In connection with our business strategy, we regularly evaluate acquisition opportunities. We believe our liquidity, along with other financing alternatives, will provide the necessary capital to fund these transactions and achieve our planned growth.

On June 1, 2010, we entered into a senior secured credit agreement with Morgan Stanley Senior Funding, Inc., as administrative agent, Morgan Stanley & Co. Incorporated, as collateral agent, and the other lenders party thereto, which was comprised of (i) a $1,275.0 million six-year term loan facility (the "2010 Term Loan") and (ii) a $100.0 million five-year revolving credit facility (the "2010 Revolving Credit Facility" and together with the 2010 Term Loan, the "2010 Credit Facility"). We were required to repay 1.00% of the principal of the 2010 Term Loan per year in quarterly installments. The 2010 Credit Facility also contained a number of mandatory prepayment requirements, including a requirement to repay a specified amount of the 2010 Term Loan annually from a portion of our excess cash flows (as defined in the 2010 Credit Facility, which varied based on our leverage ratio). Any remaining principal of the 2010 Term Loan was to be payable on the final maturity date of the facility. In February 2011, we made a prepayment of $56.0 million on the 2010 Term Loan from our excess cash flows.

On March 14, 2011, we completed the repricing of the existing senior secured term loan facility under the 2010 Credit Facility pursuant to Amendment No. 2 to the 2010 Credit Facility ("Amendment No. 2"). Amendment No. 2 provided for the incurrence of a new senior secured loan (the "2011 Term Loan") in an aggregate principal amount of $1,125.0 million. The proceeds of the 2011 Term Loan, together with $87.6 million of cash on hand, were used to repay the remaining $1,212.6 million outstanding balance of the 2010 Term Loan in full.

The 2011 Term Loan was to mature in March 2017. The 2010 Revolving Credit Facility was to mature in June 2015 and was available to fund our working capital requirements and for other general corporate purposes. Amendment No. 2 decreased the interest rate applicable to the 2011 Term Loan from LIBOR plus 3.25% (with a leverage-based stepdown) to LIBOR plus 2.75% (with a leverage-based stepdown) and reduced the LIBOR floor applicable to the 2011 Term Loan from 1.50% to 1.00%. Amendment No. 2 contained a number of mandatory prepayment requirements, including a requirement to repay a specified amount of the 2011 Term Loan annually from a portion of our excess cash flows (as defined in the 2010 Credit Facility, as amended, which varied based on our leverage ratio).

On December 30, 2011, we made a $35.0 million prepayment on the 2010 Credit Facility, as amended.

On May 4, 2012, we amended and restated our 2010 Credit Facility (the credit agreement as so amended and restated, the "Amended and Restated Credit Facility"). The Amended and Restated Credit Facility provides for the incurrence of a new senior secured five-year Term Loan A Facility in an aggregate amount of $880.0 million (the "2012 Term Loan") and a $100.0 million senior secured revolving facility (the "2012 Revolving Credit Facility"). The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to repay the remaining outstanding principal of the existing 2011 Term Loan. The 2012 Term Loan and the 2012 Revolving Credit Facility mature on May 4, 2017. We are required to repay 5.0% of the 2012 Term Loan in quarterly payments over the first two years, 10.0% of the 2012 Term Loan in quarterly payments over the next two years, and 70.0% of the 2012 Term Loan in quarterly payments over the final year. In connection with the repayment of the 2011 Term Loan, we terminated our then-existing interest rate swaps and are not required to enter into new interest rate swaps to hedge our debt under the Amended and Restated Credit Facility.

The effective combined rate on our debt was 3.45% for the six months ended June 30, 2012.

The obligations under the Amended and Restated Credit Facility are guaranteed by each of our direct and indirect wholly-owned domestic subsidiaries, subject to limited exceptions. The obligations under the Amended and Restated Credit Facility are secured by a lien on substantially all of the equity interests of our present and future domestic subsidiaries, up to 65% of the equity interests of our first-tier foreign subsidiaries, and substantially all of our and our domestic subsidiaries' present and future property and assets, subject to certain exceptions.

The Amended and Restated Credit Facility contains affirmative and restrictive covenants that, among other things, limit our ability and our existing or future subsidiaries' abilities to:

- incur liens and further negative pledges;
- incur additional indebtedness or prepay, redeem or repurchase indebtedness;
- make loans or hold investments;
- merge, dissolve, liquidate, consolidate with or into another person;
- enter into acquisition transactions;

- make capital expenditures;
- issue disqualified capital stock;
- sell, transfer or dispose of assets;
- pay dividends or make other distributions in respect of our capital stock or engage in stock repurchases, redemptions and other restricted payments;
- create new subsidiaries;
- permit certain restrictions affecting our subsidiaries;
- change the nature of our business, accounting policies or fiscal periods;
- enter into any transactions with affiliates other than on an arm's length basis;
- modify or waive material documents; and
- prepay, redeem or repurchase debt.

The Amended and Restated Credit Facility also contains customary events of default, including those relating to non-payment, breach of representations, warranties or covenants, cross-default and cross-acceleration, bankruptcy and insolvency events, invalidity or impairment of loan documentation or collateral, change of control and customary ERISA defaults.

The Amended and Restated Credit Facility also requires us and our subsidiaries to achieve financial and operating results sufficient to maintain compliance with the following financial ratios on a consolidated basis through the termination of the Amended and Restated Credit Facility: (1) the maximum Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall not exceed 3.25:1.00 and (2) the minimum Consolidated Interest Coverage Ratio (as defined in the Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall be at least 5.00:1.00. As of June 30, 2012, our Consolidated Leverage Ratio as defined in the Credit Facility was 1.94:1.00 and our Consolidated Interest Coverage Ratio as defined in the credit facility was 9.72:1.00.

We currently lease office space in New York, New York at three locations. The first two, One Chase Manhattan Plaza and 88 Pine Street, have combined annual base rents of $3.0 million. The lease at One Chase Manhattan Plaza ends in August 2012 and the lease at 88 Pine Street ends in December 2014. On September 16, 2011, we entered into a new lease agreement with 7 World Trade Center, LLC (the "Landlord"), pursuant to which we are renting approximately 126,000 square feet of office space for our new corporate headquarters at 7 World Trade Center, New York, New York (the "Lease"). We commenced leasing the 7 World Trade Center offices on February 1, 2012 (the "Commencement Date").

The Lease is initially scheduled to expire on February 28, 2033, subject to our option to renew the Lease for an additional ten years after the initial expiration date. We also have the option to terminate the Lease early on February 1, 2028, subject to compliance with the terms and conditions of the Lease, including the payment of a termination fee. The aggregate rent over the life of the Lease is approximately $170.1 million plus certain customary expenses. From February 1, 2013 (the "Rent Commencement Date") through and including January 31, 2018, the day preceding the fifth anniversary of the Rent Commencement Date, the annual rent paid will be approximately $7.3 million. Thereafter, the annual rent to be paid increases 10.0% on each of the fifth, tenth and fifteenth anniversaries of the Rent Commencement Date.

We expect to pay approximately $22.0 million in build-out costs to ready the 7 World Trade Center offices which we began occupying on July 23, 2012. We expect to receive approximately $9.0 million in cash as a lease inducement from the Landlord during the year ending December 31, 2012. Additionally, we currently expect to recognize charges of up to approximately $4.6 million during the second half of the year ending December 31, 2012 as we vacate the 88 Pine Street offices.

On August 2, 2012, we entered into a Change of Employment Status and Release Agreement with David M. Obstler. As a result of entering into this agreement, we expect to incur a charge of $1.7 million in the quarter ending September 30, 2012. See "Other Information" in Item 5 of this Form 10-Q for a description of the Change of Employment Status and Release Agreement.

Cash Flows

Cash and cash equivalents

	As of	
	June 30, 2012	December 31, 2011
	(in thousands)	
Cash and cash equivalents	$273,307	$ 252,211

Cash and cash equivalents were $273.0 million and $252.2 million as of June 30, 2012 and December 31, 2011, respectively. As of June 30, 2012 and December 31, 2011, $136.7 million and $130.1 million, respectively, of the cash and cash equivalents were held by foreign subsidiaries, which could be subject to U.S. federal income taxation on repatriation to the U.S. and some of which could be subject to local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash is further restricted by local laws.

Short-term investments were $86.5 million and $140.5 million as of June 30, 2012 and December 31, 2011, respectively. All of the short-term investments were held by U.S. corporations and were not subject to repatriation considerations at either June 30, 2012 or December 31, 2011.

We believe that domestic cash flows from operations, together with existing cash and cash equivalents and short-term investments, will continue to be sufficient to fund our domestic operating activities and cash commitments for investing and financing activities, such as debt repayment schedules and material capital expenditures, for at least the next 12 months and for the foreseeable future thereafter. In addition, we expect existing foreign cash flows from operations, together with existing cash and cash equivalents, will continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months and for the foreseeable future thereafter.

Cash provided by (used in) operating, investing and financing activities

	For the Six Months Ended June 30,	
	2012	2011
	(in thousands)	
Cash provided by operating activities	$ 190,066	$ 80,246
Cash provided by (used in) investing activities	34,157	(44,978)
Cash used in financing activities	(202,615)	(132,974)
Effect of exchange rates on cash and cash equivalents	(512)	4,178
Net increase (decrease) in cash	$ 21,096	$ (93,528)

Cash flows from operating activities

Cash flows from operating activities consist of net income adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities was $190.1 million and $80.2 million for the six months ended June 30, 2012 and 2011, respectively. The year over year increase primarily reflects improved billings and collections from customers.

Our primary uses of cash from operating activities are for the payment of cash compensation expenses, office rent, technology costs, market data costs, interest expenses and income taxes. The payment of cash for compensation and benefits is historically at its highest level in the first quarter when we pay discretionary employee compensation related to the previous fiscal year.

Cash flows from investing activities

Cash provided by investing activities was $34.3 million for the six months ended June 30, 2012 compared to cash used in investing activities of $45.0 million for the six months ended June 30, 2011. The year over year change primarily reflects the decreased purchases of short-term investments during the six months ended June 30, 2012 partially offset by increased capital expenditures as we prepare our new corporate headquarters for occupation.

Cash flows from financing activities

Cash used in financing activities was $202.6 million and $133.0 million for the six months ended June 30, 2012 and 2011, respectively. The year over year change primarily reflects cash payments made to service, amend and refinance our credit facility as well as decreased proceeds from the exercise of employee stock options and excess tax benefits related to the exercise of options and the conversion of restricted stock units and restricted stock awards that occurred during the six months ended June 30, 2012.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk

We are subject to foreign currency exchange fluctuation risk. Exchange rate movements can impact the U.S. dollar reported value of our revenues, expenses, assets and liabilities denominated in non-U.S. dollar currencies or where the currency of such items is different than the functional currency of the entity where these items were recorded.

A significant portion of our revenues from our index-linked investment products are based on fees earned on the value of assets invested in securities denominated in currencies other than the U.S. dollar. For all operations outside the United States where the Company has designated the local non-U.S. dollar currency as the functional currency, revenue and expenses are translated using average monthly exchange rates and assets and liabilities are translated into U.S. dollars using month-end exchange rates. For these operations, currency translation adjustments arising from a change in the rate of exchange between the functional currency and the U.S. dollar are accumulated in a separate component of shareholders' equity. In addition, transaction gains and losses arising from a change in exchange rates for transactions denominated in a currency other than the functional currency of the entity are reflected in other non-operating expense (income).

Revenues from index-linked investment products represented approximately $68.7 million, or 14.7%, and $74.2 million, or 16.5%, of our operating revenues for the six months ended June 30, 2012 and 2011, respectively. While our fees for index-linked investment products are generally invoiced in U.S. dollars, the fees are based on the investment product's assets, a large majority of which are invested in securities denominated in currencies other than the U.S. dollar. Accordingly, declines in such other currencies against the U.S. dollar will decrease the fees payable to us under such licenses. In addition, declines in such currencies against the U.S. dollar could impact the attractiveness of such investment products resulting in net fund outflows, which would further reduce the fees payable under such licenses.

We generally invoice our clients in U.S. dollars; however, we invoice a portion of clients in Euros, British pounds sterling, Japanese yen and a limited number of other non-U.S. dollar currencies. For the six months ended June 30, 2012 and 2011, approximately 12.5% and 13.3% of our revenues, respectively, were invoiced in currencies other than U.S. dollars. For the six months ended June 30, 2012, 60.1% of our foreign currency revenues were in Euros, 22.6% were in Japanese yen and 9.8% were in British pounds sterling. For the six months ended June 30, 2011, 62.5% of our foreign currency revenues were in Euros, 20.5% were in Japanese yen and 9.0% were in British pounds sterling.

We are exposed to additional foreign currency risk in certain of our operating costs. Approximately $108.0 million, or 36.0%, and $99.8 million, or 34.3%, of our expenses for the six months ended June 30, 2012 and 2011, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Swiss francs, Hungarian forints, Hong Kong dollars, Euros, Indian rupees and Mexican pesos. Expenses paid in foreign currency may increase as we expand our business outside the U.S.

We have certain monetary assets and liabilities denominated in currencies other than local functional amounts and when these balances were remeasured into their local functional currency, either a gain or a loss resulted from the change of the value of the functional currency as compared to the originating currencies. As a result of these positions, we recognized foreign currency exchange losses of $2.1 million and $0.1 million for the six months ended June 30, 2012 and 2011, respectively. These amounts were recorded in "Other expense (income)" in our Condensed Consolidated Statements of Income. Although we do not currently hedge the foreign exchange risk of assets and liabilities denominated in currencies other than the functional currency, we minimize exposure by reducing the value of the assets and liabilities in currencies other than the functional currency of the legal entity in which they are located.

To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase. Generally, we do not use derivative financial instruments as a means of hedging this risk; however, we may do so in the future. Foreign currency cash balances held overseas are generally kept at levels necessary to meet current operating and capitalization needs.

Interest Rate Sensitivity

We had unrestricted cash and cash equivalents totaling $273.3 million at June 30, 2012 and $252.2 million at December 31, 2011. These amounts were held primarily in checking and money market accounts in the countries where we maintain banking relationships. The unrestricted cash and cash equivalents are held for working capital purposes. At June 30, 2012 and December 31, 2011, we had invested $86.5 million and $140.5 million, respectively, in debt securities with maturity dates ranging from 91 to 360 days from the date of purchase. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income.

Borrowings under the 2012 Term Loan bear interest at a rate equal to the sum of LIBOR and a margin of 2.25%, which margin will be subject to adjustment based on our leverage ratio. As of June 30, 2012, the 2012 Term Loan bears interest at 2.49%. Assuming an average of $858.0 million of variable rate debt outstanding, a hypothetical 1.00% basis point increase in LIBOR for a one year period would result in approximately $8.6 million of additional interest rate expense.

Item 4. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), as of June 30, 2012 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time specified in the SEC’s rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes during the three months ended June 30, 2012 in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Various lawsuits, claims and proceedings have been or may be instituted or asserted against us, which arise in the ordinary course of business. While the amounts claimed could be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that our business, operating results, financial condition or cash flows in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are currently pending or asserted will not, individually or in the aggregate, have a material effect on our business, operating results, financial condition or cash flows.

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Item 1A. Risk Factors

For a discussion of the risk factors affecting the Company, see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as updated by the discussion of risk factors included under "Risk Factors" in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There have been no unregistered sales of equity securities.

The table below sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the quarter ended June 30, 2012.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (April 1, 2012-April 30,2012) Employee Transactions (1)	1,800	$ 37.56	N/A	N/A
Month #2 (May 1, 2012-May 31, 2012) Employee Transactions (1)	1,518	$ 35.13	N/A	N/A
Month #3 (June 1, 2012-June 30, 2012) Employee Transactions (1)	1,593	$ 33.33	N/A	N/A
Total Employee Transactions (1)	4,911	$ 35.44	N/A	N/A

(1) Includes shares withheld to satisfy tax withholding obligations on behalf of employees that occur upon vesting and delivery of outstanding shares underlying restricted stock units. The value of the shares withheld were determined using the fair market value of the Company's common stock on the date of withholding, using a valuation methodology established by the Company.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The Company and Mr. Obstler entered into a Change of Employment Status and Release Agreement executed August 2, 2012 (the "Agreement"). Under the terms of the Agreement, Mr. Obstler will remain with the Company until August 31, 2012 (the "Termination Date"), but ceases to be the Chief Financial Officer effective upon the filing of this Form 10-Q with the SEC. Through the Termination Date, he will receive his base salary and within 30 days of the Termination Date, he will be paid severance in the amount of $965,600. This severance payment consists of a lump sum cash amount of $950,000 (minus all applicable taxes and withholdings), representing a value equal to his 2011 cash bonus and long-term incentive award and six

months' base salary, and a group health replacement payment of $15,600 (minus all applicable taxes and withholdings), representing the approximate amount of COBRA continuation premiums for six months. In addition, the Agreement confirms that his outstanding equity awards will be subject to the "involuntary termination" provisions of such awards and the exercise period for all unexercised vested and unvested stock options will be extended until August 31, 2013. The Agreement requires Mr. Obstler to comply with certain confidentiality, non-disparagement and non-solicitation restrictive covenants. It also includes a general release by Mr. Obstler of claims against the Company. The foregoing description of the Agreement is qualified in its entirety by reference to the full text of the Agreement, a copy of which is filed herewith as Exhibit 10.2 and incorporated by reference.

Item 6. Exhibits

An exhibit index has been filed as part of this Report on page E-1 and is incorporated herein by reference in response to this item.

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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 thereunto duly authorized.

Dated: August 3, 2012

MSCI INC.
(Registrant)

By: /s/ David M. Obstler
David M. Obstler
Chief Financial Officer, Principal Financial Officer,
Principal Accounting Officer and Authorized Signatory

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EXHIBIT INDEX

MSCI INC.

QUARTER ENDED JUNE 30, 2012

3.1	Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)
3.2	Amended and Restated By-laws (filed as Exhibit 3.2 to the Company's Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)
# 10.1	Offer Letter, executed May 25, 2012, between MSCI Inc. and Robert Qutub (filed as Exhibit 10.1 to the Company's Form 8-K (File No. 001-33812), filed with the SEC on May 30, 2012 and incorporated by reference herein)
*# 10.2	Change of Employment Status and Release Agreement, executed August 2, 2012, between MSCI Inc. and David M. Obstler
10.26	Amended and Restated Credit Agreement dated as of May 4, 2012 among MSCI Inc., as the Borrower, Morgan Stanley Senior Funding, Inc., as Administrative Agent, Swing Line Linder and L/C Issuer, Morgan Stanley & Co. Incorporated, as Collateral Agent and the other lenders party thereto (filed as Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)
*†† 10.55	Datafeed License Agreement dated as of May 31, 2012, by and between Broadridge Investor Communication Solutions, Inc. and Institutional Shareholder Services, Inc.
11	Statement Re: Computation of Earnings Per Common share (The calculation of per share earnings is in Part I, Item 1, Note 4 to the Condensed Consolidated Financial Statements (Earnings Per Common Share) and is omitted in accordance with Section (b)(11) of Item 601 of Regulation S-K).
* 15	Letter of awareness from Deloitte & Touche LLP, dated August 3, 2012, concerning unaudited interim financial information
* 31.1	Rule 13a-14(a) Certification of the Chief Executive Officer
* 31.2	Rule 13a-14(a) Certification of the Chief Financial Officer
** 32.1	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer
*** 101.INS	XBRL Instance Document
*** 101.SCH	XBRL Taxonomy Extension Schema Document
*** 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*** 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*** 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*** 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.
** Furnished herewith.
*** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.
\# Indicates a management compensation plan, contract or arrangement.
†† Confidential treatment requested.

August 1, 2012

David Obstler

RE: Change of Employment Status and Release Agreement

Dear David:

This letter sets forth the terms and conditions of our agreement concerning the change of your employment status with MSCI Inc. (“Agreement”). For purposes of this Agreement and the attached Exhibit A release of claims (the “Exhibit A Release”), “MSCI” shall include MSCI Inc. and any and all parents, subsidiaries, predecessors, successors and affiliate corporations, and its and their respective current and former directors, officers, employees, agents, managers, shareholders, successors, assigns, and other representatives.

You will serve as Chief Financial Officer through the date on which MSCI’s quarterly report for the period ended June 30, 2012 is filed, following which you will continue employment with MSCI in a non-executive officer capacity until August 31, 2012 (the “Termination Date”). MSCI will pay you all wages and accrued vacation pay due and owed to you in accordance with applicable law (minus all applicable taxes and withholdings).

You will be provided information regarding continuing your benefit coverage on or prior to the Termination Date. You will have sixty (60) days to elect COBRA coverage. Inquiries about your benefits should be directed to Lynder Festa at Lynder.Festa@msci.com.

<u>Payments and Benefits</u>

In exchange for and subject to your execution of this Agreement and the Exhibit A Release (and non-revocation of the Exhibit A Release), MSCI will:

(1) Provide you with a special severance payment of Nine Hundred and Fifty Thousand Dollars ($950,000), minus all applicable payroll taxes and withholdings (the “Special Severance Payment”).

The Special Severance Payment will be made in a lump sum cash payment within 30 days following the Termination Date (the “Payment Date”).

(2) Provide you with special COBRA replacement payments to assist you to continue to pay for benefits that will otherwise end on the Termination Date (or the end of the month of termination for medical, dental and/or vision coverage). On the Payment Date, MSCI will pay you the total amount of $15,600 (minus all applicable taxes and withholdings), representing: (a) the approximate amount of COBRA continuation premiums for 6 months for the coverage option and level of medical, dental and/or vision coverage in effect for you

immediately prior to the Termination Date; and (b) an amount equal to 35% of such payment to assist you in purchasing health insurance. No medical, dental and/or vision coverage will be provided to you following the Termination Date except to the extent you are entitled to and properly elect COBRA continuation coverage. Nothing in this Agreement shall limit the right of MSCI to amend, modify and/or terminate any benefit plan at any time in its sole discretion.

(3) Provide you with outplacement services supplied by Right Management for nine (9) months, which must commence no later than ninety (90) days after the Termination Date.

(4) Treat your equity awards in accordance with the "Involuntary Termination" provisions of the applicable plans and award agreements. All unexercised vested and unvested stock options held by you as of the Agreement date have been modified to remain exercisable until August 31, 2013. All other terms of your awards will remain unchanged. Please refer to your Equity Award Agreements for complete details.

You acknowledge that payments in equity or cash or vesting of equity are subject to any applicable tax withholding requirements. Except as described above, all terms of your equity-based awards, and any other long-term incentive compensation that MSCI has awarded to you, will remain unchanged, and will not be deemed to be modified by this Agreement in any way. You agree to fully abide by any MSCI policies with respect to the sale of MSCI stock and any window period or other restrictions that may apply or become applicable to you.

You acknowledge and accept that remaining on payroll through the Termination Date and receipt of any and all benefits and compensation provided in this Agreement is contingent upon (a) your remaining an employee in good standing and adhering to the terms of this Agreement, the MSCI Code of Conduct and all applicable MSCI policies through the Termination Date; (b) your execution within twenty-one (21) days following the Termination Date (and non-revocation thereafter) of the Exhibit A Release and (c) receipt by MSCI of the Exhibit A Release.

You understand and agree that the foregoing consideration provided to you under the terms of this Agreement is in addition to anything of value to which you are otherwise entitled. You represent, warrant and acknowledge that MSCI owes you no wages, commissions, bonuses, sick or other medical or disability-related pay, personal or other leave-of-absence pay, severance pay, notice pay, vacation pay, or other compensation or payments or forms of remuneration of any kind or nature, other than that specifically provided for in this Agreement.

You also understand and agree that all outstanding claims for expenses properly incurred in the performance of your duties must be submitted as soon as possible but in no event later than two (2) weeks after the Termination Date. MSCI will reimburse you up to $5,000 for the legal fees you incurred in connection with negotiating this Agreement.

All payments hereunder shall be subject to applicable withholdings and deductions. You acknowledge and agree that you are solely responsible for all taxes on the payments described in this Agreement. The parties intend this Agreement to be compliant with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury guidance promulgated thereunder ("Code Section 409A"). Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following termination, references to such termination (and corollary terms) shall be construed to refer to your "separation from service" with MSCI. Because you have been identified as a "Specified Employee" for the purposes of Code Section 409A, any payments or distributions to be made to you under this Agreement or any other agreement (including

agreements covering equity awards) upon a separation from service of amounts to the extent classified as "nonqualified deferred compensation" for purposes of Code Section 409A shall in no event be made or commence until six months after your separation from service. Upon the expiration of the six month delay period, all payments and benefits delayed shall be paid or reimbursed to you in a lump sum. With respect to any reimbursement or in-kind benefit arrangements that constitute nonqualified deferred compensation for purposes of Code Section 409A, except as otherwise permitted by Code Section 409A, the following conditions shall be applicable: (i) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year (except that the health and dental plans may impose a limit on the amount that may be reimbursed or paid), (ii) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, MSCI makes no representations or guarantees with respect to the taxation of any of the payments or benefits set forth herein, including taxation pursuant to Code Section 409A. If any provision of this Agreement is deemed not to comply with Code Section 409A or would result in your recognizing income for United States federal income tax purposes with respect to any amount payable under this Agreement before the date of payment, or to incur interest or additional tax pursuant to Code Section 409A, MSCI reserves the right to reform such provision; *provided* that MSCI shall maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Code Section 409A.

Confidentiality, Firm Property, Non-Disclosure and Non-Disparagement

In the course of your employment with MSCI you have or may have acquired non-public privileged or confidential information and trade secrets concerning MSCI's business, operations, legal matters and resolution or settlement thereof, internal investigations, customer and employee information and lists, hiring, staffing and compensation practices, studies and analyses, plans, funding, financing and methods of doing business whether in hard copy, electronic or other format ("Confidential and Proprietary Information"). Notwithstanding the foregoing, Confidential and Proprietary Information does not include any information which is or becomes publicly known or available through no wrongful act by you. You understand and agree that it would be damaging to MSCI if such Confidential and Proprietary Information were disclosed to any competitor of MSCI or any third party or person. You further understand and agree that all Confidential and Proprietary Information has been divulged to you in confidence, and you agree to not disclose or cause or permit to be disclosed, directly or indirectly, any Confidential and Proprietary Information to any third party or person, and to keep all Confidential and Proprietary Information secret and confidential, without limitation in time. Your use of Confidential and Proprietary Information will stop immediately upon the termination of your employment with MSCI. You will not remove Confidential and Proprietary Information from any MSCI facility or system in either original, electronic or copied form. Upon the termination of your employment, you will immediately deliver to MSCI any Confidential and Proprietary Information in your possession or control. You will not at any time assert any claim of ownership or other property interest in any such Confidential and Proprietary Information. You will permit MSCI to inspect any material to be removed from MSCI offices when you cease to work at any MSCI facility. You will not disclose, directly or indirectly, to any person or entity, the contents, in whole or in part, of such Confidential and Proprietary Information. PLEASE UNDERSTAND THAT YOUR LEGAL OBLIGATION NOT TO USE OR DISCLOSE CONFIDENTIAL AND PROPRIETARY INFORMATION OF MSCI EXISTS WHETHER OR NOT YOU ENTER INTO THIS AGREEMENT.

You further agree to return, at the time your employment ends, any MSCI equipment and property including, but not limited to, identification materials, computers, printers, facsimile machines, corporate credit cards, portable telephones, wireless devices (*e.g*., BlackBerry and similar devices), and calling cards that you possess or control but that are not in MSCI's offices. MSCI will allow you to keep (a) your

company provided BlackBerry after removing all Confidential and Proprietary Information and (b) your mobile telephone number.

During the course of your employment with MSCI, you may have been instructed by the Legal and Compliance Division (“LCD”) to preserve information, documents or other materials, whether in physical or electronic form, in connection with litigation, investigations, or proceedings. You acknowledge that you have taken all necessary steps to comply with any notices you received from LCD to preserve such information, documents or materials. Furthermore, you acknowledge that you have notified your supervisor or a member of LCD of the location of all such information, documents or materials currently in your possession.

You agree to give prompt notice to MSCI in writing, addressed to MSCI’s Office of the General Counsel, 7 World Trade Center, 250 Greenwich Street, New York NY 10007, by telephone 212-804- and by facsimile 212-804- , of any subpoena or judicial, administrative or regulatory inquiry or proceeding or lawsuit in which you are required or requested to disclose information relating to MSCI, prior to such disclosure, unless any such prior notice is prohibited by law. Such written notice must be given to the General Counsel within two (2) business days of your receipt of any such request or order so that MSCI may take whatever action it may deem necessary or appropriate to prevent such disclosure or testimony; provided, however, if delivery within two (2) business days is not practicable in the particular situation, then delivery must be given as soon as practicable. You also agree that you will, within two (2) business days of your receipt, provide to the General Counsel by facsimile or overnight delivery to the above address, a copy of all legal papers and documents served upon you; provided, however, if the facsimile or overnight delivery within two (2) business days is not practicable in the particular situation, then the facsimile or overnight delivery must be given as soon as practicable. Additionally, you agree that in the event you are served with such subpoena, court order, directive or other process, you will meet with MSCI’s General Counsel or his or her designee in advance of giving such testimony or information at a time and place mutually convenient, unless any such prior meeting requirement is prohibited by law.

You also agree that you will not make any defamatory or disparaging statements about MSCI, or its business, strategic plans, products, practices, policies, or personnel, in any medium or to any third person or entity, without limitation in time. Nothing in this paragraph is intended to limit in any way your ability to compete fairly with MSCI in the future, to confer in confidence with your legal, financial, and tax advisors or representatives, or with members of your immediate family or as necessary to enforce the terms of this Agreement. MSCI Inc. agrees that it will use reasonable efforts to ensure that its current executive officers will not make any defamatory or disparaging statements about you while they are employed by MSCI in any medium or to any third person or entity. Notwithstanding these non-defamation and non-disparagement provisions, it shall not be a violation of the terms of this paragraph for any person to make truthful statements when required by court order or as otherwise required by law.

In the event that as part of your activities on behalf of MSCI you have generated, authored or contributed to any invention, design, new development, device, product, method of process (whether or not patentable or reduced to practice or comprising Confidential and Proprietary Information), any copyrightable work (whether or not comprising Confidential and Proprietary Information) or any other form of Confidential Proprietary Information relating directly or indirectly to the business of MSCI as now or hereinafter conducted (collectively, “Intellectual Property”), you acknowledge and agree that such Intellectual Property is the sole and exclusive property of MSCI and hereby assign all right, title and interest in and to such Intellectual Property to MSCI.

You also agree that, unless you have prior written authorization from MSCI, you will not disclose, participate in the disclosure, or allow disclosure of any information about MSCI or its present or former clients, executives, other employees, or Board members, or about legal matters involving MSCI and

resolution or settlement thereof, or any aspects of your employment with MSCI or of the termination of such employment, to any reporter, author, producer or similar person or entity, or take any other action likely to result in such information being made available to the general public in any form, including, without limitation, books, articles or writings of any other kind, as well as film, videotape, television or other broadcasts, audio tape, electronic/Internet format or any other medium. You further agree that you will not use or take any action likely to result in the use of any of MSCI's names or any abbreviation thereof in connection with any publication to the general public in any medium in a manner that suggests, directly or indirectly, endorsement by or a business connection to MSCI or appears to leverage the MSCI brand.

Exceptions

Any non-disclosure provision in this Agreement does not prohibit or restrict you or your attorneys from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission, the Financial Industry Regulatory Authority or any other self-regulatory organization or to enforce the terms of this Agreement.

Further Promises

In addition, you agree to cooperate with and assist MSCI in connection with any investigation, regulatory matter, lawsuit or arbitration in which MSCI is a subject, target or party and as to which you may have pertinent information. You agree to make yourself available for preparation for hearings, proceedings or litigation and for attendance at any pre-trial discovery and trial sessions. MSCI agrees to make every reasonable effort to provide you with reasonable notice in the event your participation is required and to take into account your other business and personal obligations. MSCI agrees to reimburse reasonable out-of-pocket costs incurred by you as the direct result of your participation (including reasonable legal fees if necessary), provided that such out-of-pocket costs are supported by appropriate documentation and have prior authorization of MSCI, which authorization will not be unreasonably withheld. You further agree to perform all acts and execute any and all documents that may be necessary to carry out the provisions of this paragraph.

You also agree that for 180 days after the termination of your employment, you will not, directly or indirectly, in any capacity (including through any person, corporation, partnership or other business entity of any kind) (i) hire or solicit, recruit, induce, entice, influence, or encourage any MSCI employee to leave MSCI or become hired or engaged by another firm or (ii) solicit, approach or entice away or cause to be solicited, approached or enticed away from MSCI any person or entity who is (or was within the 12 months prior to termination of your employment) a customer of MSCI. The restrictions in clause (i) of this paragraph shall apply only to employees with whom you worked or had professional or business contact, or who worked in or with your business unit, during the period of 180 days preceding the date of the notice of the termination of your employment.

In the event you breach or threaten to breach any of the provisions contained in any confidentiality, non-disclosure, non-disparagement or non-solicitation provisions in this Agreement, you acknowledge that such breach or threatened breach shall cause irreparable harm to MSCI, entitling MSCI, at its option, to seek immediate injunctive relief from a court of competent jurisdiction, without waiver of any other rights or remedies available in a court of law or equity. Furthermore, independent of any legal or equitable remedies that MSCI may have and without limiting MSCI's right to any other legal or equitable remedies, in the event of any breach of the provisions contained in any confidentiality, non-disclosure, non-disparagement or non-solicitation provisions of this Agreement, you shall promptly pay to MSCI a lump sum amount in cash equal to the amount of income realized for income tax purposes, net of all federal, state and other taxes

payable on the amount of such income, in connection with the Special Severance Payment, the COBRA replacement payment and the vesting of any equity awards on or after the Termination Date.

You acknowledge that you have executed this Agreement voluntarily, free of any duress of coercion. MSCI has urged you to obtain the advice of an attorney or other representative of your choice, unrelated to MSCI, before executing this Agreement, and you acknowledge that you have had the opportunity to do so. Further, you acknowledge that you have a full understanding of the terms of this Agreement.

Your executed Agreement must be returned to the undersigned at the above address.

The Agreement is the entire agreement between you and MSCI, and supersedes any and all oral and written agreements between you and MSCI, on the topics covered herein, except for any prior agreements and commitments on your part concerning confidential information, trade secrets, copyrights, patents or other intellectual property and the like, which shall continue in effect in accordance with their terms. By offering and entering into this Agreement, neither you nor MSCI admits any liability or wrongdoing toward the other whatsoever. This Agreement may not be changed, except by a writing signed both by you and MSCI specifically for that purpose.

This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of New York. If any portion of this Agreement should ever be determined to be unenforceable, the other provisions of this Agreement shall remain in full force and effect.

If you have any questions, please let me know. If these terms are acceptable, sign and date the letter below and return the original signed copy to me. An extra copy is enclosed for your records.

Very truly yours,

/s/ Richard Powell

Richard Powell
Global Head of Compensation and Benefits
MSCI Inc.

AGREED AND ACCEPTED:

/s/ David M. Obstler
Employee Signature

DATE: 08/02/2012

<u>EXHIBIT A RELEASE</u>

NOT TO BE EXECUTED PRIOR TO EMPLOYMENT TERMINATION DATE

I, David Obstler, the undersigned, and MSCI entered into a *Change of Employment Status and Release Agreement* (the "Agreement") dated as of , 2012, which I executed on , 2012, of which this Exhibit A Release forms a part. For purposes of this Exhibit A Release, MSCI shall be defined the same as in the Agreement.

MSCI and I agree that this Exhibit A Release will become effective seven (7) days after I sign it and do not revoke it. I understand and agree that I may not sign the Exhibit A Release prior to the Termination Date specified in the Agreement. Upon the effectiveness of the Exhibit A Release, I will be entitled to the payment and benefits described in the Agreement, in the manner and under the terms and conditions set forth in the Agreement.

In exchange for providing me with these enhanced benefits, I agree to waive all claims against MSCI, and to release and forever discharge MSCI, to the fullest extent permitted by law, from any and all liability for any claims, rights or damages of any kind, whether known or unknown to me, that I may have against MSCI as of the date of my execution of this Exhibit A Release that arise out of or relate in any way to my employment with MSCI or the termination of such employment, arising under any applicable federal, state or local law or ordinance, including but not limited to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Equal Pay Act, the Uniform Services Employment and Re-employment Rights Act, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act , the Family And Medical Leave Act, the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Older Workers Benefit Protection Act, the Worker Adjustment Retraining and Notification Act, the Occupational Safety and Health Act of 1970, and claims for individual relief under the Sarbanes-Oxley Act of 2002; the New York State and City Human Rights Laws, New York Labor Act, New York Equal Pay Law, New York Civil Rights Law, and New York Worker Adjustment Retraining and Notification Act; California Fair Employment and Housing Act, California Labor Code, California Business and Professions Code, California Family Rights Act**,** and California Industrial Welfare Commission Wage Orders; Connecticut Fair Employment Practices Act, Connecticut Equal Pay Law, Connecticut Age Discrimination and Employee Insurance Benefits Law, and Connecticut Family and Medical Leave Law; Illinois Human Rights Act, Illinois Wage Payment and Collection Act, Illinois Equal Pay Act, and Illinois Worker Adjustment and Retraining Notification Law; Massachusetts Fair Employment Practices Act, Massachusetts Equal Rights Act, Massachusetts Equal Pay Law, Massachusetts Age Discrimination Law, and Massachusetts Equal Rights for Elderly and Disabled Law; Maryland Fair Employment Practices Act; Maryland Wage and Hour Law; Maryland Wage Payment and Collection Law; Oklahoma Anti-Discrimination Act; Oklahoma Equal Pay Act; Oklahoma Genetic Nondiscrimination in Employment Act; Oklahoma Minimum Wage Act; Michigan Elliott-Larsen Civil Rights Act; Michigan Persons with Disabilities Civil Rights Act; Michigan Payment of Wages and Fringe Benefits Act; Michigan Minimum Wage Act; and any other federal, state or local statute or constitutional provision governing employment; all tort, contract (express or implied), common law, and public policy claims of any type whatsoever; all claims for invasion of privacy, defamation, intentional infliction of emotional distress, injury to reputation, pain and suffering, constructive and wrongful discharge, retaliation, wages, monetary or equitable relief,

vacation pay, grants or awards under any unvested and/or cancelled equity and/or incentive compensation plan or program, separation and/or severance pay under any separation or severance pay plan maintained by MSCI, any other employee fringe benefits plans, medical plans, or attorneys' fees; or any demand to seek discovery of any of the claims, rights or damages previously enumerated herein.

This Exhibit A Release is not intended to, and does not, release rights or claims that may arise after the date of my execution hereof, including without limitation any rights or claims that I may have to secure enforcement of the terms and conditions of the Agreement or the Exhibit A Release. To the extent any claim, charge, complaint or action covered by the Exhibit A Release is brought by me, for my benefit or on my behalf, I expressly waive any claim to any form of individual monetary or other damages, including attorneys' fees and costs, or any other form of personal recovery or relief in connection with any such claim, charge, complaint or action. I further agree to dismiss with prejudice any pending civil lawsuit or arbitration covered by the Exhibit A Release. For purposes of this Exhibit A Release, "I" shall include my heirs, executors, administrators, attorneys, representatives, successors and assigns.

The Agreement and this Exhibit A Release, however, do not waive any rights I may have been granted under the Certificate of Incorporation or Bylaws of MSCI or under any directors' and officers' insurance policy relating to my actions or omissions on behalf of MSCI in the scope of and during the course of my employment by MSCI or at the direction of MSCI. Nor does anything in the Agreement and this Exhibit A Release impair my rights to vested retirement, pension, retiree medical or 401(k) benefits, if any, due me by virtue of my employment by MSCI, or any elections, notices or benefits for which I am eligible as a separated employee of MSCI. This Exhibit A Release does not waive or release any claims that are not releasable by law.

I acknowledge that I am executing this Exhibit A Release voluntarily, free of any duress or coercion. MSCI has urged me to obtain the advice of an attorney or other representative of my choice, unrelated to MSCI, prior to executing this Exhibit A Release, and I acknowledge that I have had the opportunity to do so. Further, I acknowledge that I have a full understanding of the terms of the Agreement and this Exhibit A Release. I understand that the execution of this Exhibit A Release is not to be construed as an admission of liability or wrongdoing by MSCI or me.

I acknowledge that I have been given at least twenty-one (21) days within which to consider executing this Exhibit A Release (the "**Twenty One (21)-Day Period**") and seven (7) days from the date of my execution of this Exhibit A Release within which to revoke it (the "**Exhibit A Revocation Period**"). I understand that my executed Exhibit A Release must be returned to Human Resources. If I execute the Exhibit A Release prior to the end of the Twenty One (21)-Day Period, I agree and acknowledge that: (i) my execution was a knowing and voluntary waiver of my rights to consider this Exhibit A Release for the full twenty-one (21) days; and (ii) I had sufficient time in which to consider and understand the Exhibit A Release, and to review it with an attorney or other representative of my choice, if I wished. Any revocation of this Exhibit A Release must be in writing and returned to Human Resources, via certified U.S. Mail, Return Receipt Requested. In the event that I revoke this Exhibit A Release, I acknowledge that I will not be entitled to receive, and agree not to accept, any payments or benefits described in the Agreement. I agree that my acceptance of any such payments or benefits will constitute an acknowledgment that I did not revoke the Exhibit A Release. This Exhibit A Release will not become effective or enforceable until the Exhibit A Revocation Period has expired.

BY SIGNING THIS EXHIBIT A RELEASE, I ACKNOWLEDGE THAT I AM KNOWINGLY AND VOLUNTARILY WAIVING AND RELEASING ANY AND ALL RIGHTS I MAY HAVE AGAINST MSCI UP TO THE DATE OF MY EXECUTION OF THIS EXHIBIT A RELEASE UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE OLDER WORKERS BENEFIT PROTECTION ACT, AND ALL OTHER APPLICABLE DISCRIMINATION LAWS, STATUTES, ORDINANCES OR REGULATIONS.

AGREED AND ACCEPTED:

____
Employee Signature

DATE: __________________________________

Exhibit 10.55

CONFIDENTIAL TREATMENT REQUESTED. *********** INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

EXECUTION COPY

DATAFEED LICENSE AGREEMENT

BETWEEN

BROADRIDGE INVESTOR COMMUNICATION SOLUTIONS, INC.

AND

INSTITUTIONAL SHAREHOLDER SERVICES, INC.

DATED

MAY 31, 2012

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V. Appendix A – ***********

DATAFEED LICENSE AGREEMENT

This Datafeed License Agreement (this "***Agreement***"), entered into on May 31, 2012 (the "***Effective Date***"), sets forth the understanding between Broadridge Investor Communication Solutions, Inc. (formerly known as ADP Investor Communication Services, Inc., a Delaware corporation, "***Broadridge***"), and Institutional Shareholder Services, Inc., a Delaware corporation ("***ISS***"), concerning the implementation and operation of the Consolidated Datafeed to facilitate straight-through processing of Ballots and Vote Instructions. As of the Effective Date, this Agreement supersedes and replaces the Datafeed License Agreement, dated October 27, 2003, between Broadridge and ISS, as amended (the "***Prior Agreement***"), which Prior Agreement shall automatically terminate and be of no further force and effect (without any liability on the parties thereto) as of the Effective Date.

WHEREAS, Broadridge owns a Consolidated Datafeed which ISS wishes to license in connection with the management and tracking of proxy votes by ISS, and Broadridge wishes to so license the Consolidated Datafeed to ISS for such purposes;

NOW, THEREFORE, be it resolved that, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement hereby agree as follows:

SECTION 1. Definitions

As used herein, the following terms have the following meanings:

"***Affiliate***" means, with respect to any Person, (a) any Person directly or indirectly controlling, controlled by or under common control with such Person and (b) any executive officer or director of such Person. For purposes of this definition, the terms "controlling," "controlled by," or "under common control with" shall mean possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"***Agreement***" has the meaning set forth in the preamble hereto. Agreement, as used herein, shall include all Exhibits, Annexes, Schedules and Appendices attached hereto.

"***Applicable Law***" means, as to any Person, any statute, law, rule, regulation, directive, treaty, judgment, order, decree or injunction of any Governmental Authority that is applicable to or binding upon such Person or any of its properties.

"***Ballot***" means any voteable position (including, without limitation, empty ballots) identified by Broadridge to be sent to ISS through the Consolidated Datafeed.

"***Broadridge***" has the meaning set forth in the Preamble hereto.

"***Broadridge Proprietary Information***" has the meaning set forth in Section 5.4(a).

"***Business Day***" means a day other than a Saturday, Sunday or other day on which banks in the State of New York are not required or authorized to close

"***Confidential Information***" has the meaning set forth in Section 11.2.

"***Consolidated Datafeed***" means the specific data exchanges of the consolidated agenda file, consolidated meeting file, consolidated director file, consolidated ballot file datafeed and the returned ballot confirmation file and vote instruction files for accounts of institutions for which ISS has voting authority.

"***Datafeed Vote Instruction Fee***" has the meaning set forth in Section 6.1.

"***Disclosing Party***" has the meaning set forth in Section 11.1.

"***Downtime***" means those periods of time during which the Consolidated Datafeed is not available to ISS for purposes of processing meeting, agenda and Ballot information, but not including Scheduled Maintenance and Unscheduled Maintenance.

"***Effective Date***" means the date of this Agreement.

"***Enhanced Components***" means the ISS Vote Instructions and Global Agenda Proposal Codes.

"***Extended Third-Party Agreement***" has the meaning set forth in Section 8.2.

"***File Transfer***" means a file transfer that is encrypted using the SCP (secure copy) over SSH (secure shell) open standards based protocol or its equivalent as mutually agreed to by Broadridge and ISS

"***Global Agenda Proposal Code Definition Table***" means the index that associates the Global Agenda Proposal Codes to A) classes and then further into, B) detailed descriptions of each proprietary Global Agenda Proposal Code to allow for the specific identification of each proposal item found on proxy agendas worldwide when meeting materials are available.

"***Global Agenda Proposal Codes***" means the detailed proprietary codes that ISS uses to classify each agenda item found on proxy agendas worldwide when meeting materials are available. Each agenda item is defined by a proposal code. The proposal codes consist of a unique five-digit alpha numeric identifier which can be used to categorize each agenda item into a class description which is then further defined in specific detail in the Global Agenda Proposal Code Definition Table.

"***Global Proposal Procurement Process***" means the process through which ISS provides Broadridge daily detailed Global Agenda Proposal Codes and a semi-annual Global Agenda Proposal Code Definition Table for all proxy meeting agendas worldwide, when meeting materials are available. This process is detailed in Appendix A hereto.

"***Governmental Authority***" means any domestic or foreign government, governmental authority, court, tribunal, agency or other regulatory, administrative or judicial agency, commission or organization, and any subdivision, branch or department of any of the foregoing.

"***Initial Term***" has the meaning set forth in Section 12.1.

"***ISS***" has the meaning set forth in the Preamble hereto.

"***ISS Proprietary Information***" has the meaning set forth in Section 5.3(a).

"***Material Adverse Effect***" means a material adverse effect on the business, financial condition, assets or results of operations of a party.

"***Minimum Annual Ballot Requests Fee***" has the meaning set forth in Section 6.3.

"***Minimum Annual Fee Ballot Percentage***" has the meaning set forth in Section 6.3.

"***Nominees***" has the meaning set forth in Section 12.2(d).

"***Person***" means any natural person, corporation, partnership, limited liability company, trust or any other legal entity.

"***Receiving Party***" has the meaning set forth in Section 11.1.

"***Revised Term***" has the meaning set forth in Section 8.2.

"***Scheduled Maintenance***" means those periods of time, during which Broadridge performs maintenance to or repairs all or part of the Consolidated Datafeed. Any Scheduled Maintenance shall occur between 11:00 a.m. and 4:00 p.m. E.S.T. on Saturday or Sunday, and is subject to prior e-mail notification to ISS, at least two weeks in advance of the Scheduled Maintenance.

"***Services***" has the meaning set forth in Section 4.2.

"***Support Services***" has the meaning set forth in Section 4.1.

"***Term***" has the meaning set forth in Section 12.1.

"***Third-Party Agreement***" has the meaning set forth in Section 8.1.

"***Third-Party Favorable Terms***" has the meaning set forth in Section 8.1.

"***Transition Period***" has the meaning set forth in Section 12.3 (a).

“***Unsanctioned Method or Unsanctioned Form***” means any method or form of Vote Instruction transmitted electronically by ISS other than through such method or form prescribed by Broadridge in the instructions published and available for review by a user upon accessing the applicable electronic form or method in question.

“***Unscheduled Maintenance***” means those periods of time, aside from Scheduled Maintenance periods, during which Broadridge performs maintenance to or repairs all or part of the Consolidated Datafeed.

“***Vote Instruction***” means any instruction given by a beneficial owner of a security that directs a Person with legal authority to vote such security and which is transmitted to Broadridge.

SECTION 2. Operation of the Consolidated Datafeed.

2.1. Expenses; Availability. Broadridge shall, at its expense, provide the Consolidated Datafeed to ISS in the Broadridge standard format and as described in the related documentation. Broadridge shall provide ISS in a timely manner related documentation, which will include a data dictionary describing each data field (with mandatory or optional designations and acceptable values for the data fields) and sample files. The Consolidated Datafeed will be delivered in the manner set forth in Annex I hereto and as otherwise agreed between both parties in writing (for the avoidance of doubt, including email). Broadridge shall ensure that the Consolidated Datafeed is available to ISS at all times, other than during Scheduled Maintenance, Unscheduled Maintenance or emergency maintenance as set forth in the attached Annex I.

2.2. Access. ISS may access the Consolidated Datafeed from any ISS personal computer, local area network or other central processing unit located at any ISS facility. ISS shall provide at its own expense all communications equipment, including telephone lines and modems, usage or connect charges, necessary for access to the Consolidated Datafeed.

2.3. Distribution Guidelines. Broadridge will be responsible for the accuracy, completeness, and timely availability of meeting notice, ballots and agenda data on the Consolidated Datafeed that are generated, in keeping with Broadridge’s normal standards for delivery of such information.

2.4. Updates. During the Term, Broadridge may from time to time update, enhance or modify the Consolidated Datafeed. Broadridge shall provide ISS with the most current, up-to-date version of the Consolidated Datafeed, including, without limitation, the most current version of the Consolidated Datafeed, reflecting any updates, enhancements or modifications as may be required by applicable law or Securities and Exchange Commission rules or regulations, at such time as the new version is released. Any such updates to the Consolidated Datafeed shall be at no additional charge. The parties acknowledge that from time to time the Consolidated Datafeed may require certain mutually agreed upon modifications to properly interface with each of the parties’ servers. Upon ISS’s written request, Broadridge shall perform necessary modifications to the Consolidated Datafeed so that it will continue to interface properly with the ISS server.

2.5. New Components. If, during the Term, Broadridge develops new components or functionality for the Consolidated Datafeed, then the new components or functionality shall be

offered to ISS at an additional fee to be mutually agreed upon in writing. ISS may, at its option, accept or reject the inclusion of each new component or functionality in the Consolidated Datafeed. Upon the acceptance of each new component or functionality by ISS, such new component or functionality will be automatically included in the license granted to ISS hereunder and Broadridge shall support the new component or functionality on terms and conditions mutually acceptable to both parties in writing. If ISS accepts a new component or functionality that requires customization for integration into the Consolidated Datafeed, both parties shall use commercially reasonable efforts to enter into a statement of work to integrate such new component or functionality. Upon execution by the parties, each such statement of work shall constitute an amendment to this Agreement. If at any time during the Term ISS elects not to use any new component or functionality, then included in the Consolidated Datafeed, then ISS shall, at its sole expense and within 60 days of the implementation of such new component or functionality, do whatever is necessary to adapt to any format changes that may be required to allow ISS to continue to use the Consolidated Datafeed as contemplated by this Agreement.

SECTION 3. License.

3.1. License Grant of Consolidated Datafeed. During the Term, Broadridge hereby grants to ISS a non-exclusive, worldwide license to use, possess, display and otherwise process and handle the Consolidated Datafeed in all electronic forms and media in connection with ISS's voting agent services solely and exclusively for the purposes of processing meeting, agenda and ballot information of custodians using Broadridge as their proxy processing agent for accounts for which ISS has voting authority and generating, distributing and returning ISS Vote Instructions for positions held with such custodians. Except for the license granted in this Section 3.1, ISS shall have no other rights to the Consolidated Datafeed or the information provided by Broadridge.

3.2. Sublicenses. During the Term, ISS shall have the right to sublicense (including, without limitation, the right to further sublicense) to any Affiliate the rights licensed to ISS in Section 3.1 (License Grant of Consolidated Datafeed) exclusively, provided that each sublicensee agrees to be bound by the terms of this Agreement and ISS shall remain responsible for each sublicensee hereunder.

3.3. License Grant for Use of ISS Vote Instructions. During the Term, ISS hereby grants to Broadridge a royalty-free worldwide license to use, possess, reproduce, modify, display, distribute and otherwise process and handle the ISS Vote Instructions solely for the purpose of providing the Consolidated Datafeed to ISS pursuant to the terms of this Agreement. Broadridge shall not use the ISS Vote Instructions in any fashion that would reveal, disclose or identify any information (which was not otherwise previously known or acquired by Broadridge through lawful means) about ISS clients or their voting histories or instructions.

3.4. License Grant for Use of Global Agenda Proposal Codes. During the Term (and thereafter as provided herein), ISS hereby grants to Broadridge a royalty-free, worldwide license to use, possess, reproduce, modify, display, distribute and otherwise process and handle the Global Agenda Proposal Codes as set forth in Section 4.3 hereof.

3.5. Scope of License. Except as expressly provided herein, no license, right, title or interest in or to the Consolidated Datafeed is granted to ISS, and no license, right, title or interest in or to the Enhanced Components is granted to Broadridge, either expressly or by implication, estoppel or otherwise.

3.6. Creation of Reports. Notwithstanding anything to the contrary contained in this Agreement, ISS is hereby authorized to extract investment position and vote history information generated by the use of the Consolidated Datafeed (including the Enhanced Components) and to incorporate such extracted information into ISS's vote compilation software for the purpose of creating reports which indicate an investor's combined positions and voting history records across all accounts for which ISS has voting authority. ISS is solely responsible for the content of any and all information and/or data extracted as set forth above and Broadridge shall have no liability or obligation with respect to the accuracy of such information and data or the accuracy of any reports generated therefrom.

3.7. Acknowledgment of Termination. The parties acknowledge that the Proxy Edge License Agreement, dated January 1, 1998, between Broadridge and ISS, has been previously terminated.

SECTION 4. Support Services

4.1. Service Level Agreement. Broadridge shall provide the support services specified in, and according to the terms and conditions set forth in Annex I hereto (the "***Support Services***").

4.2. Additional Support Services. Broadridge shall, at no additional cost, provide to ISS the following additional services (together with the Support Services, the "***Services***") for the Consolidated Datafeed (including all updates, enhancements and modifications thereto): (a) provide telephone support on every Business Day to assist in the implementation, utilization and maintenance of the Consolidated Datafeed, (b) provide upgrades or updates (and appropriate documentation) that contain error or defect corrections, (c) correct any error or defect in content or the transmission of the Consolidated Datafeed reported by ISS, or any of which Broadridge becomes aware, within a reasonable time frame given the severity of such error or defect, which error or defect causes the Consolidated Datafeed not to perform substantially in accordance with the description of its functions contained herein and (d) answer questions and respond to problems related to (i) data communications, data quality and accuracy, (ii) whether a share position has been reported, and (iii) whether an electronic ballot has been transmitted, received, confirmed, released, or reported for tabulation. Upon written (for the avoidance of doubt, including email) request by ISS or custodians of ISS's clients, Broadridge will ascertain the current voting status of any account, including review of unreleased votes. Telephone or telecommunication charges under this Agreement will be borne by the party placing the call. Broadridge may, but shall not be obligated to, record telephone calls and ISS hereby consents to the recording of such calls. In addition, Broadridge shall also provide the additional services, together with reasonable maintenance, set forth in Exhibit 4.2 hereto, as part of the Datafeed Vote Instruction Fee.

4.3 ***********

SECTION 5. Ownership of Intellectual Property

5.1. Ownership of Consolidated Datafeed. ISS acknowledges that as between the parties, Broadridge owns all right, title and interest in and to the Consolidated Datafeed other than the Enhanced Components. ISS shall not take any action that is inconsistent with such ownership of the Consolidated Datafeed and agrees that nothing in this Agreement and no use of the Consolidated Datafeed by ISS pursuant to this Agreement shall vest in ISS, or be construed to vest in ISS, any right of ownership in or to the Consolidated Datafeed other than the right to use the Consolidated Datafeed solely in accordance with the terms and conditions of this Agreement.

5.2. Ownership of Enhanced Components. Broadridge acknowledges that as between the parties, ISS owns all right, title and interest in and to the Enhanced Components. Broadridge shall not take any action that is inconsistent with such ownership of the Enhanced Components and agrees that nothing in this Agreement and no use of the Enhanced Components by Broadridge pursuant to this Agreement shall vest in Broadridge, or be construed to vest in Broadridge, any right of ownership in or to the Enhanced Components other than the right to use the Enhanced Components solely in accordance with the terms and conditions of this Agreement.

5.3. ISS Proprietary Information.

(a) Broadridge acknowledges and understands ISS's representation that the securities holdings, investment plans, client records and other proprietary or confidential information of ISS, and all information relating thereto, are confidential, proprietary and trade secrets of ISS and ISS's clients (except with respect to information in the public domain) ("***ISS Proprietary Information***"). Broadridge acknowledges that during its performance of its obligations hereunder, Broadridge may be provided with or have access to ISS Proprietary Information,

which it shall treat as Confidential Information and comply with the obligations concerning Confidential Information set forth in Section 11 hereof. Broadridge further agrees that in addition to ISS's right to seek equitable and injunctive relief to prevent unauthorized, negligent or inadvertent use or disclosure of ISS Proprietary Information as provided for in Section 11 hereof, ISS shall be entitled to recover, subject to the limitations on liability herein, the amount of all such damages (including reasonable attorneys' fees and expenses) in connection with such use or disclosure.

(b) Notwithstanding anything in this Section 5.3 to the contrary, Broadridge may use (i) information obtained from ISS such as its feedback and suggestions regarding the Consolidated Datafeed, and (ii) ISS's and ISS clients' voting patterns for purposes of providing statistical data to third parties, provided that in each case neither ISS's nor its clients' identities are disclosed nor could reasonably be inferred from the context of the description. ISS shall have the right to review and approve in writing the characterization of ISS's client voting records (identified as such) or patterns prior to any dissemination of such information to any Person other than ISS. Nothing in this paragraph or anywhere else in this Agreement shall be interpreted as a restriction of any kind on Broadridge's use of information (i) that is not ISS Proprietary Information, (ii) of which ISS is not the owner, or (iii) that did not emanate from ISS (so long as such information was previously known or acquired by Broadridge through lawful means).

5.4. Broadridge Proprietary Information.

(a) ISS acknowledges and understands Broadridge's representation that the securities holdings, investment plans, client records as well as certain intellectual property contained in Broadridge's Proxy Plus System and other proprietary or confidential information of Broadridge, and all information relating thereto, are confidential, proprietary and trade secrets of Broadridge and Broadridge's clients (except with respect to information in the public domain) ("***Broadridge Proprietary Information***"). ISS acknowledges that during its performance of its obligations hereunder, ISS may be provided with or have access to Broadridge Proprietary Information, which it shall treat as Confidential Information and comply with the obligations concerning Confidential Information set forth in Section 11 hereof. ISS further agrees that in addition to Broadridge's right to seek equitable and injunctive relief to prevent unauthorized, negligent or inadvertent use of disclosure of Broadridge Proprietary Information as provided for in Section 11 hereof, Broadridge shall be entitled to recover, subject to the limitations on liability herein, the amount of all such damages (including reasonable attorney's fees and expenses) in connection with such use or disclosure.

SECTION 6. ***********

6.1. ***********

6.2. ***********

6.3. ***********

6.4. ***********

SECTION 7. Representations, Warranties and Covenants.

7.1. ISS Representations. ISS represents and warrants to Broadridge the following:

(a) It is duly incorporated, validly existing, and in good standing under the laws of the State of Delaware and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. All requisite corporate actions necessary for the due authorization, execution, delivery, and performance of this Agreement by ISS have been duly taken. ISS has duly executed and delivered this Agreement. This Agreement constitutes a valid and binding obligation of ISS enforceable against ISS in accordance with its terms (except as may be limited by bankruptcy, insolvency, or similar laws of general application and by the effect of general principles of equity, regardless of whether considered at law or in equity).

(b) The execution, delivery and performance by ISS of this Agreement does not and will not violate or conflict with, or require the consent of any third party under, any agreements, rights, or obligations existing between ISS and any other Person.

(c) It has the full legal right to grant to Broadridge the licenses granted under this Agreement. ISS' performance of its obligations under this Agreement does not infringe upon any intellectual property right or proprietary right of any Person

7.2. Broadridge Representations. Broadridge represents and warrants to ISS the following:

(a) It is duly organized, validly existing, and in good standing under the laws of the State of Delaware and has full power and authority to execute and deliver this

Agreement and to perform its obligations hereunder. All requisite corporate actions necessary for the due authorization, execution, delivery, and performance of this Agreement by Broadridge have been duly taken. Broadridge has duly executed and delivered this Agreement. This Agreement constitutes a valid and binding obligation of Broadridge enforceable against Broadridge in accordance with its terms (except as may be limited by bankruptcy, insolvency, or similar laws of general application and by the effect of general principles of equity, regardless of whether considered at law or in equity).

(b) The execution, delivery and performance by Broadridge of this Agreement does not and will not violate or conflict with, or require the consent of any third party under, any agreements, rights, or obligations existing between Broadridge and any other Person.

(c) It has the full legal right to grant to ISS the licenses granted under this Agreement and its performance of its obligations under this Agreement does not infringe upon any intellectual property right or proprietary right of any Person.

7.3. Broadridge Covenants. Broadridge covenants to ISS as follows:

(a) During the Term, Broadridge shall not knowingly distribute any material or operate any system including, without limitation, its Consolidated Datafeed that (i) infringes any intellectual property rights of any Person or (ii) violates any law, statute, ordinance, or regulation (including without limitation, the laws and regulations governing export control), and shall use commercially reasonable efforts to prevent the distribution of any material, program, device or system, including, without limitation, the Consolidated Datafeed, that contains any viruses, trojan horses, worms, time bombs, cancelbots, or other computer programming routines that are intended to damage, detrimentally interfere with, surreptitiously intercept, gain unauthorized access to or control over, or expropriate any system, data or personal information or in any way affect its obligations hereunder.

(b) The Consolidated Datafeed shall comply in all material respects, and operate in substantial conformance, with the descriptions and representations set forth in this Agreement (and any amendments to this Agreement).

(c) During the Term, Broadridge shall conduct an annual SSAE-16 audit or similar audit at least as comprehensive as the SSAE-16 audit and shall provide the results of such audit to ISS.

(d) During the Term, Broadridge shall conduct a bi-annual disaster recovery test and provide the results of such test to ISS.

(e) During the Term, but only on one (1) occasion per year, ISS may retain an independent third party, at its cost, to conduct a quality assurance review of the Consolidated Datafeed; *however*, such review shall not extend to review, disclosure and audit of any proprietary systems, trade secrets or intellectual property of Broadridge, including, but not limited to, source code or password protected code, inventions, know-how, confidential customer data or third party software or proprietary material licensed by Broadridge. The audit may be conducted provided that the actual report and the results of such audit shall be deemed Confidential Information of Broadridge and the report and results of such audit may only be

disclosed to ISS after execution by ISS of an appropriate non-disclosure agreement, and in no event shall the report and results be disclosed to any third party without Broadridge's prior written consent. In no event shall the results of the audit be used by ISS to compete with Broadridge or to the detriment of Broadridge's business.

(f) Annually, Broadridge shall negotiate in good faith with ISS to determine the appropriateness and extent, if any, of a mutually beneficial increase to the de minimis activity threshold set forth in Section 12.2(d).

7.4. ISS Covenants. ISS covenants to Broadridge as follows:

(a) During the Term, ISS shall not knowingly distribute any material or operate any system, including, without limitation, the Enhanced Components, that (i) infringes any intellectual property rights of any Person or (ii) violates any law, statute, ordinance, or regulation (including without limitation, the laws and regulations governing export control), and shall use commercially reasonable efforts to prevent the distribution of any material, program, device or system, including, without limitation, the Enhanced Components, that contains any viruses, trojan horses, worms, time bombs, cancelbots, or other computer programming routines that are intended to damage, detrimentally interfere with, surreptitiously intercept, gain unauthorized access to or control over, or expropriate any system, data or personal information or in any way affect its obligations hereunder.

(b) During the Term, ISS shall conduct an annual SSAE-16 audit or similar audit at least as comprehensive as a SSAE-16 audit and shall provide the results of such audit to Broadridge.

(c) During the Term, ISS shall conduct a bi-annual disaster recovery test and provide the results of such test to Broadridge.

(d) During the Term, but only on one (1) occasion per year, Broadridge may retain an independent third party, at its cost, to conduct an audit of the process flow and controls used by ISS to provide the ISS proxy voting services contemplated under this Agreement; *however*, such audit shall not extend to review, disclosure and audit of any proprietary systems, trade secrets or intellectual property of ISS, including, but not limited to, source code or password protected code, inventions, know-how, confidential customer data or third party software or proprietary material licensed by ISS. The audit may be conducted provided that the actual report and the results of such audit shall be deemed Confidential Information of ISS and the report and results of such audit may only be disclosed to Broadridge after execution by Broadridge of an appropriate non-disclosure agreement, and in no event shall the report and results be disclosed to any third party without ISS's prior written consent. In no event shall the results of the audit be used by Broadridge to compete with ISS or to the detriment of ISS's business.

(e) Subject to Broadridge's obligations set forth in Annex I hereto, ISS agrees to transmit all Vote Instructions pertaining to Ballots received from Broadridge via the Consolidated Datafeed unless ISS shall be precluded from transmitting such Vote Instructions by such means due to Downtime, Scheduled Maintenance or Unscheduled Maintenance. In the

event that ISS (i) receives a Ballot from Broadridge via any method other than via the Consolidated Datafeed, or (ii) is precluded from transmitting Vote Instructions via the Consolidated Datafeed due to Downtime, Scheduled Maintenance or Unscheduled Maintenance, or due to any act or omission of Broadridge in contravention of its obligations under this Agreement, ISS may, under such circumstances, transmit Vote Instructions through such method(s) (including, without limitation, via the Internet, telephone and facsimile) as ISS shall reasonably determine in its sole discretion. Notwithstanding the foregoing, ISS shall not use any Unsanctioned Method or Unsanctioned Form.

(f) Annually, ISS shall negotiate in good faith with Broadridge to determine the appropriateness and extent, if any, of a mutually beneficial increase to the de minimis activity threshold set forth in Section 12.2(d).

7.5. Disclaimer of Warranties. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, ALL OTHER WARRANTIES AND CONDITIONS ON BEHALF OF EITHER PARTY, WHETHER EXPRESSED OR IMPLIED BY STATUTE, COMMON LAW, OR OTHERWISE, ARE TO THE EXTENT PERMISSIBLE BY LAW HEREBY EXCLUDED. IN PARTICULAR, BROADRIDGE AND ISS HEREBY ACKNOWLEDGE THAT NEITHER BROADRIDGE NOR ISS MAKES ANY WARRANTY, EXPRESS OR IMPLIED, TO THE OTHER OR TO ANY THIRD PARTIES AS TO THE QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PRODUCTS AND SERVICES OFFERED UNDER THIS AGREEMENT. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY GIVES ANY ASSURANCE OR WARRANTY REGARDING THE PAST OR CONTINUED SUPPLY, ACCURACY, CALCULATION OR PUBLICATION OF THE CONSOLIDATED DATAFEED OR THE ENHANCED COMPONENTS.

SECTION 8. ***********.

8.1. ***********

8.2. ***********

SECTION 9. ***********

SECTION 10. ***********.

10.1. ***********

10.2. ***********

SECTION 11. Confidentiality.

11.1. Confidential Information. The parties recognize that, in connection with the performance of this Agreement (including the Services), before and after the date of this Agreement, each party or their respective Affiliates (in such capacity, the "***Disclosing Party***") has disclosed and may disclose Confidential Information to the other party or such party's Affiliates (the "***Receiving Party***"). For purposes of this Agreement, "***Confidential Information***" means (i) all information about either party's business, business plans, customers, strategies, trade secrets, operations, records, finances, assets, and information that reveals the processes, methodologies, technology (including source code and object code) or know-how by which either party's existing or future products, services, applications and methods of operation are developed, conducted or operated, regardless of its form or the medium in which it is stored; or (ii) any information that reasonably should be expected by the Receiving Party to be confidential by virtue of its content or context.

11.2. Use of Confidential Information. Notwithstanding anything to the contrary contained in Section 11.1, "***Confidential Information***" shall not include information which: (i) was at the time of disclosure already in the possession of the Receiving Party and not subject to any duty or obligation of confidentiality or nondisclosure, as shown by written record; (ii) becomes publicly known through no wrongful act of the Receiving Party; (iii) was independently made available to the Receiving Party by an unrelated and independent third party whose disclosure shall not, to the knowledge of the Receiving Party after due inquiry, constitute a breach of any duty of confidentiality owed to the Disclosing Party; or (iv) has been independently developed by the Receiving Party. The Receiving Party agrees (A) not to use any such Confidential Information

for any purpose other than in the performance of its obligations under this Agreement or as permitted hereby and (B) not to disclose any such Confidential Information, except (1) to a limited number of its employees on a need to know basis, (2) to its agents, representatives, lawyers and other advisers that have a need to know such Confidential Information, (3) to software consultants and advisors who have a need to know such Confidential Information in the course of the performance of their duties, provided that such parties enter into appropriate written agreements to keep all Confidential Information confidential which are enforceable by the Disclosing Party, to protect the confidentiality of such Confidential Information, and (4) if compelled to be disclosed pursuant to a court order or other legal process, provided that the Disclosing Party shall first have the opportunity to request an appropriate protective order.

11.3. Unauthorized Use. The Receiving Party shall take all commercially reasonable measures to protect the secrecy and confidentiality of, and avoid disclosure or unauthorized use of, the Disclosing Party's Confidential Information and shall be responsible for any disclosure or misuse of Confidential Information that results from a failure to comply with this Section 11.3. The Receiving Party shall be fully responsible for any breach of this Agreement by its agents, contractors, representatives and employees. The Receiving Party shall promptly report to the Disclosing Party any actual or suspected violation of the terms of this Agreement and shall take all reasonable further steps required by the Disclosing Party to prevent, control or remedy any such violation.

11.4. Return of Information. The Receiving Party shall, at the request of the Disclosing Party, retrieve all Confidential Information from its permitted disclosees and thereafter shall (i) promptly return all Confidential Information held or used by the Receiving Party in whatever form, or (ii) at the discretion of the Receiving Party, promptly destroy all such Confidential Information and certify such destruction to the Disclosing Party, *provided* that during the Term, the Disclosing Party will not make such a request with respect to Confidential Information necessary for the Receiving Party to perform its obligations hereunder.

11.5. Injunctions. In view of the difficulties of placing a monetary value on the Confidential Information, the Disclosing Party may be entitled to a preliminary and final injunction without the necessity of posting any bond or undertaking in connection therewith to prevent any further breach of this Section 11 or further unauthorized use of its Confidential Information. This remedy is separate from and in addition to any other remedy the Disclosing Party may have.

SECTION 12. Term and Termination.

12.1. ***********

12.2. Termination. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time:

(a) By mutual consent of Broadridge and ISS;

(b) By ISS if Broadridge has breached any representation, warranty, covenant or agreement contained in this Agreement and has not, in the case of a breach of a covenant or agreement, cured such breach within ten (10) Business Days after written notice of such breach is given to Broadridge (provided that ISS is not then in material breach of the terms of this Agreement, and provided further that no cure period shall be required for a breach which by its nature cannot be cured) unless such breach shall not reasonably be likely to prevent the consummation of the transactions contemplated by this Agreement or have a Material Adverse Effect on ISS;

(c) By Broadridge if ISS has breached any representation, warranty, covenant or agreement contained in this Agreement and has not, in the case of a breach of a covenant or agreement, cured such breach within ten (10) Business Days after written notice of such breach is given to ISS (provided that Broadridge is not then in material breach of the terms of this Agreement, and provided further that no cure period shall be required for a breach which by its nature cannot be cured) unless such breach shall not reasonably be likely to prevent the consummation of the transactions contemplated by this Agreement or have a Material Adverse Effect on Broadridge;

(d) Subject to Sections 7.3(f) and 7.4(f), by Broadridge if, during the Term, ISS commences any activity, other than on a "de minimis" basis, related to acting as an agent or otherwise as an outsourced service provider, on behalf of banks, broker-dealers or other nominees in North America (in the aggregate, "***Nominees***"), in connection with fulfilling such Nominees' obligations pursuant to Rules 14b-1 or 14b-2, respectively, under the Securities Exchange Act of 1934, as amended, or any successor rules or regulations. For purposes of this Section 12.2(d), a "***de minimis***" basis shall mean the processing by ISS of 3,000 or fewer Nominee customer accounts in any calendar year; *provided*, such Nominee customer accounts (i) contain positions for securities of North American issuers trading on North American securities exchanges and (ii) are accounts of Persons not domiciled in North America. Within 10 Business Days after the end of each calendar year during the Term, upon request by Broadridge, ISS shall deliver to Broadridge a written certification of ISS's compliance with the provisions of this Section 12.2(d);

(e) By either party upon a breach by the other party of Section 14.13 (Assignment);

(f) By either party if: (i) there shall be a final, non-appealable order of a Federal or state court in effect preventing consummation of the transactions contemplated hereby; or (ii) there shall be any final action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the transactions contemplated hereby by any Governmental Entity which would make consummation of the transactions contemplated hereby illegal;

(g) By either party in the event the other party intentionally discloses any Confidential Information of the other party in breach of this Agreement; and

(h) ***********

12.3. Effect of Termination.

(a) Upon the expiration or termination of this Agreement, provided that ISS continues to pay Fees pursuant to Section 6 hereof, Broadridge shall permit and not prohibit ISS's continued use of the Consolidated Datafeed for a transition period (the "***Transition Period***") in order to provide ISS adequate time to execute an uninterrupted migration by ISS from the use of the Consolidated Datafeed to the use and operation of an alternate system so as not to disrupt the business activities of ISS or any of ISS's clients. Once such alternate system is operational on the ISS platform, ISS shall discontinue all use of the Consolidated Datafeed and return to Broadridge all materials and documentation related to the Consolidated Datafeed that are proprietary to Broadridge. In no event shall this Transition Period be less than 120 days or greater than six (6) months from the date of expiration or termination of this Agreement.

(b) Upon the termination of this Agreement pursuant to Section 12.2(d) above, ISS shall have the right to license Broadridge's Proxy Edge Software for purposes of processing Ballots, which license shall be of no shorter duration than the then-remaining portion of the Term under this Agreement.

(c) Subject to Section 12.3(a), upon the expiration or termination of this Agreement, (i) Broadridge shall return to ISS all materials and documentation related to the Enhanced Components that are proprietary to ISS, and (ii) ISS shall return to Broadridge all materials and documentation related to the Consolidated Datafeed that are proprietary to Broadridge.

SECTION 13. INTENTIONALLY OMITTED.

SECTION 14. Miscellaneous.

14.1. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of New York applicable to agreements made and to be performed entirely within such state, without regard to the conflict of law principles of such state.

14.2. Consent to Jurisdiction. Each of Broadridge and ISS irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the courts of New York State sitting in the County of New York or any federal court of the United States of America sitting in the Southern District of New York arising out of or relating to this Agreement or the transactions contemplated thereby.

14.3. Waiver of a Jury Trial. Each party waives, to the fullest extent permitted by Applicable Law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that the other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 14.3.

14.4. Relationship. Nothing contained in this Agreement shall be construed as creating a joint venture, partnership, agent or employment relationship between the parties. Each party will refrain from acting in any manner which will prejudice or pledge the credit of the other party, from representing to any other Person that it has the authority to act as agent on behalf of such party and from making or purporting to make any contract on behalf such party.

14.5. No Promotion. Except as contemplated in this Agreement, each party agrees that it will not, without the prior written consent of the other party in each instance, (i) use in external advertising, publicity, or otherwise the name of the other party, or any affiliate of such party, or any partner or employee of such party, nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by the other party or its affiliates, or (ii) represent, directly or indirectly, that any information or any service provided by either party has been approved or endorsed by the other party.

14.6. Notices. All notices and other communications under this Agreement shall be:

(a) in writing,

(b) delivered by hand, by registered or certified mail, return receipt requested, or by overnight delivery service to the address set forth below or such address as either party shall specify by a written notice to the other; and

(c) deemed given upon receipt.

Notice to Broadridge:
Broadridge Investor Communication Solutions, Inc.
51 Mercedes Way
Edgewood, New York 11717
Attention: President

with a copy to:
Broadridge Financial Solutions, Inc.
2 Journal Square Plaza
Jersey City, New Jersey 07306
Attention: General Counsel

Notice to ISS:
Institutional Shareholder Services, Inc.
Attn: Head of Operations
201 David L. Boren Boulevard, Three Partners Place, Suite 300
Norman, Oklahoma 73072

with a copy to:
Institutional Shareholder Services, Inc.
Attn: General Counsel
Once Chase Manhattan Plaza
New York, NY 10005

14.7. Entire Agreement. This Agreement and the Schedule, Exhibits, Appendices and Annexes attached hereto contain the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings between the parties relating to the subject matter hereof and thereof, including, without limitation, the Proxy Edge License Agreement.

14.8. Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

14.9. Further Assurances. The parties shall each perform such acts, execute and deliver such instruments and documents, and do all such other things as may be commercially reasonable to accomplish the transactions contemplated by this Agreement.

14.10. Force Majeure. Neither Broadridge nor ISS shall bear responsibility or liability for any losses arising out of any delay in or interruptions of their respective performance of their obligations under this Agreement due to any act of God, act of Governmental Authority, act of the public enemy or due to war, the outbreak or escalation of hostilities, riot, fire, flood, civil commotion, insurrection, labor difficulty (including, without limitation, any strike, or other work stoppage or slow down), severe or adverse weather conditions, communications line failure, or other similar cause beyond the reasonable control of the party so affected. So long as any such delay or interruption continues, the party responsible for such performance will use its reasonable best efforts to eliminate such conditions, as applicable, and will keep the other party fully informed at all times concerning the matters causing such delay or default and the prospects for their termination.

14.11. Advertising and Publicity. Neither party, nor anyone acting on such party’s behalf, shall publish, distribute or otherwise disseminate any press release, advertising or publicity matter having any reference to the other party of this Agreement, unless and until such matter has first been submitted to and approved in writing by the other party.

14.12. Amendments; Waivers. Except as otherwise expressly provided in this Agreement, no amendment to this Agreement shall be effective unless it shall be in writing and signed by the

parties. Any failure of a party to comply with any obligation, covenant, agreement or condition contained in this Agreement may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure of compliance.

14.13. Assignment. Broadridge shall have the right to assign or sublicense this Agreement and any of its rights, interests, or obligations hereunder to any Person, without ISS's prior written consent, so long as such assignee does not directly or materially compete with ISS immediately prior to the date of such assignment and, provided that, such assignee shall be obligated to perform, and capable of performing, all of Broadridge's obligations under this Agreement and shall so agree in writing to such obligation to perform. Subject to Broadridge's rights under Section 12.2(h) hereof, ISS shall have the right to assign or sublicense this Agreement and any of its rights, interests, or obligations hereunder to any Person, without Broadridge's prior written consent, so long as such assignee does not directly or materially provide substantially similar services or product offerings as those provided by Broadridge to ISS customers immediately prior to the date of such assignment and, provided that, such assignee shall be obligated to perform, and capable of performing, all of ISS's obligations under this Agreement and shall so agree in writing to such obligation to perform.

14.14. Successors; Assigns; Third-Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of each of the parties, and any Person who may become a party hereto and their respective successors, heirs and legatees and permitted assigns.

14.15. Survival. Sections 5, 9, 10, 11, 12.3 shall survive the termination or expiration of this Agreement. Any and all accrued liabilities shall survive the termination or expiration of this Agreement.

14.16. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

The parties have caused their respective duly authorized representatives to execute this Agreement as of this 31 day of May, 2012.

INSTITUTIONAL SHAREHOLDER SERVICES, INC.

By: /s/ Stephen Harvey

NAME: Stephen Harvey
TITLE: Managing Director

BROADRIDGE INVESTOR COMMUNICATION SOLUTIONS, INC.

By: /s/ Robert Schifellite

NAME: Robert Schifellite
TITLE: President
Investor Communication Solutions

Annex I

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Annex II

Vote Instruction Fee

The Datafeed Vote Instruction Fee that ISS shall pay Broadridge per Vote Instruction is set forth below:

ISS Price Per Vote Instruction (2012)

Price per Vote Instruction	Volume (per calendar year)
***********	***********
***********	***********
***********	***********
***********	***********

Notwithstanding anything to the contrary in the Agreement, if ISS does not deliver the Global Agenda Proposal Codes as required by Section 4.3 of the Agreement, the Datafeed Vote Instruction Fee above shall automatically increase by ***********.

Exhibit 4.2 – Additional Services to be Provided by Broadridge

Broadridge agrees to provide the following additional services as part of the Agreement:

Item	Short Description
1 – **Missing Control #** – Transactions where ISS has identified accounts they have but no ballot was received from Broadridge. Broadridge now feeds ISS.	Items identified by ISS where they did not receive control # information on the CDF. Feed between the 2 firms is electronic
2 – **Echo Voting** – Several ISS Clients want a proportionate voting model – Broadridge obtains the % of For/Against/Abstain for certain Funds & Issuers, ISS then executes a split vote for those accounts. For the avoidance of doubt, to the extent Broadridge provides this service, ISS shall not use any information associated with this service other than to receive this service from Broadridge and under no circumstance will any information or derivative information from this service be redistributed or used in any way other than internally at ISS for its lawful internal business purposes.	Echo vote positions based on the return % to the tabulator
3 – Manual Account Set Up Process – ISS forwards information to Broadridge to have accounts set up	These are paper ballots received at ISS which are returned for future Consolidated Datafeed set-up
4 – Hard Copy Material Pulls – Broadridge provides hard copies of Issuer material upon request	Pull hard copy material upon request
5 – Vote Reporting Service for certain accounts	Allow access to reporting
6 – ICS Online Access to US meetings	Review mailing and meeting status on online tool
7 – Sub Custodian Cut-off Dates on CDF, rather than market date	Provide the most specific cut-off based on the institution’s custodian
8 – Blocking indicators on the CDF	Provide specific blocking information based on the institution’s custodian
9 – Direct Summary ballots to ISS clients	Allow a hard copy of material to be sent to the client even if the account goes through the Consolidated Datafeed
10 – SWIFT voting	In limited and mutually agreed upon instances, Broadridge and ISS will provide voting via SWIFT.

Exhibit 12.2(h) – ***********

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APPENDIX A

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Exhibit 15

To the Board of Directors and Shareholders of MSCI Inc.:

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited condensed consolidated statement of financial condition of MSCI Inc. and subsidiaries as of June 30, 2012; the related condensed consolidated statements of income and of comprehensive income for the three and six-month periods ended June 30, 2012 and 2011 and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2012 and 2011, as indicated in our report dated August 3, 2012; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, is incorporated by reference in Registration Statement Nos. 333-167624, 333-147540, and 333-165888 on Form S-8 and Registration Statement No. 333-181533 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

New York, New York
August 3, 2012

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Henry A. Fernandez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSCI Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 3, 2012

/s/ Henry A. Fernandez

Henry A. Fernandez
Chairman, CEO and President
(Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION

I, David M. Obstler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSCI Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2012

/s/ David M. Obstler

David M. Obstler
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Henry A. Fernandez, Chairman, CEO and President of MSCI Inc. (the "Registrant") and David M. Obstler, the Chief Financial Officer of the Registrant, each hereby certifies that, to the best of his knowledge:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2012, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the period covered by the Periodic Report and results of operations of the Registrant for the periods covered by the Periodic Report.

Date: August 3, 2012

/s/ Henry A. Fernandez
Henry A. Fernandez
Chairman, CEO and President
(Principal Executive Officer)

/s/ David M. Obstler
David M. Obstler
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)