

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

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**FORM 10-Q**

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

For the quarterly period ended **August 31, 2008**

**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)

**Wall Street Plaza, 88 Pine Street**  
**New York, NY**  
(Address of Principal Executive Offices)

**10005**  
(Zip Code)

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

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 September 30, 2008, there were 72,346,596 shares of the Registrant's Class A Common Stock, \$0.01 par value, outstanding and 27,708,653.79 shares of Registrant's Class B Common Stock, \$0.01 par value, outstanding.

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MSCI INC.  
FORM 10-Q

FOR THE QUARTER ENDED AUGUST 31, 2008

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We own or have rights to use trademarks, trade names and service marks that we use in conjunction with the operation of our business, including, but not limited to: @CREDIT, @ENERGY, @INTEREST, ACWI, Aegis, Alphabuilder, Barra, Barra One, BarraOne, Cosmos, EAFE, FEA, GICS, IndexMap, Market Impact Model, MSCI, ProStorage, StructureTool, TotalRisk, VaRdelta and VaRworks. All other trademarks, trade names and service marks included in this Quarterly Report on Form 10-Q are property of their respective owners. For ease of reading, designations of trademarks and registered marks have been omitted from the text of this Quarterly Report on Form 10-Q.

## 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](http://www.sec.gov).

MSCI Inc.'s internet site is [www.msclub.com](http://www.msclub.com). You can access MSCI Inc.'s Investor Relations webpage at [www.msclub.com/about/ir](http://www.msclub.com/about/ir). 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 [www.msclub.com/about/company/governance](http://www.msclub.com/about/company/governance). 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, Wall Street Plaza, 88 Pine Street, New York, NY 10005; (212) 804-1583. The information on MSCI Inc.'s internet site is not incorporated by reference into this report.

## PART I

## Item 1. Unaudited Condensed Consolidated Financial Statements

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

	August 31, 2008	November 30, 2007
	(unaudited)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 246,452	\$ 33,818
Cash deposited with related parties	—	137,625
Trade receivables (net of allowances of \$524 and \$1,584 as of August 31, 2008 and November 30, 2007, respectively)	85,108	77,748
Due from related parties	5,694	2,627
Deferred taxes	19,971	17,425
Prepaid and other assets	9,459	12,160
	<u>366,684</u>	<u>281,403</u>
Total current assets	366,684	281,403
Property, equipment and leasehold improvements, (net of accumulated depreciation of \$13,039 and \$13,404 at August 31, 2008 and November 30, 2007, respectively)	21,977	4,246
Investments in unconsolidated company	3,000	3,000
Goodwill	441,623	441,623
Intangible assets (net of accumulated amortization of \$115,918 and \$94,543 at August 31, 2008 and November 30, 2007, respectively)	153,032	174,407
Other assets	7,143	—
	<u>993,459</u>	<u>904,679</u>
<b>Total assets</b>	<b>\$ 993,459</b>	<b>\$ 904,679</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,060	\$ 70
Payable to related parties	15,237	17,143
Income taxes payable	20,627	16,212
Accrued compensation and related benefits	49,748	53,831
Other accrued liabilities	14,100	10,195
Current maturities of long-term debt	22,250	22,250
Deferred revenue	158,697	125,230
	<u>282,719</u>	<u>244,931</u>
Total current liabilities	282,719	244,931
Long-term debt, net of current maturities	385,067	402,750
Deferred taxes	52,316	56,977
	<u>720,102</u>	<u>704,658</u>
<b>Total liabilities</b>	<b>720,102</b>	<b>704,658</b>
<b>Commitments and Contingencies (see note 9)</b>		
<b>Shareholders' Equity</b>		
Common stock (par value \$0.01, 500,000,000 class A shares authorized and 250,000,000 class B shares authorized; 72,344,810 class A shares and 27,708,654 class B shares issued and outstanding)	1,001	1,000
Treasury shares, at cost (19,089 shares at August 31, 2008)	(586)	—
Additional paid in capital	282,570	265,098
Accumulated deficit	(10,613)	(65,884)
Accumulated other comprehensive income (loss)	985	(193)
	<u>273,357</u>	<u>200,021</u>
<b>Total shareholders' equity</b>	<b>273,357</b>	<b>200,021</b>
	<u>\$ 993,459</u>	<u>\$ 904,679</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 993,459</b>	<b>\$ 904,679</b>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>August 31,</b>		<b>August 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Operating revenues <sup>(1)</sup>	\$ 110,399	\$ 92,407	\$ 323,545	\$ 268,228
Cost of services <sup>(1)</sup>	28,131	29,354	89,222	91,968
Selling, general and administrative <sup>(1)</sup>	37,624	23,093	107,360	67,940
Amortization of intangible assets	7,125	6,697	21,375	19,228
<b>Total operating expenses</b>	<b>72,880</b>	<b>59,144</b>	<b>217,957</b>	<b>179,136</b>
<b>Operating income</b>	<b>37,519</b>	<b>33,263</b>	<b>105,588</b>	<b>89,092</b>
Interest income <sup>(1)</sup>	(1,843)	(1,125)	(7,723)	(11,711)
Interest expense <sup>(1)</sup>	5,991	1,259	21,122	1,856
Other expense (income)	3,224	210	2,922	(244)
<b>Interest expense (income) and other, net</b>	<b>7,372</b>	<b>344</b>	<b>16,321</b>	<b>(10,099)</b>
Income before provision for income taxes	30,147	32,919	89,267	99,191
Provision for income taxes	11,269	11,540	33,824	36,319
<b>Net income</b>	<b>\$ 18,878</b>	<b>\$ 21,379</b>	<b>\$ 55,443</b>	<b>\$ 62,872</b>
Earnings per basic common share	\$ 0.19	\$ 0.25	\$ 0.55	\$ 0.75
Earnings per diluted common share	\$ 0.19	\$ 0.25	\$ 0.55	\$ 0.75
Weighted average shares outstanding used in computing earnings per share				
Basic	100,052	83,900	100,020	83,900
Diluted	101,698	83,900	101,236	83,900

<sup>(1)</sup> Amounts attributable to related parties are as follows:

	<b>For the Three Months</b>		<b>For the Nine Months</b>	
	<b>Ended August 31,</b>		<b>Ended August 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Operating revenues	\$ 2,906	\$ 3,282	\$ 9,141	\$ 10,301
Cost of services	\$ 1,544	\$ 4,451	\$ 7,578	\$ 11,559
Selling, general and administrative	\$ 2,392	\$ 2,559	\$ 8,430	\$ 8,247
Interest income	\$ 948	\$ 1,067	\$ 5,332	\$ 11,563
Interest expense	\$ 23	\$ 1,259	\$ 385	\$ 1,604

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	<b>Nine Months Ended August 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(unaudited)</b>	
<b>Cash flows from operating activities</b>		
Net income	\$ 55,443	\$ 62,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and leasehold improvements	2,274	1,530
Amortization of intangible assets	21,375	19,228
Compensation payable in common stock and options	17,494	—
Provision for (recovery of) bad debts	(1,060)	75
Amortization of discount on long term debt	124	—
Deferred taxes	(7,207)	(6,864)
Loss on sale or disposal of property, equipment and leasehold improvements, net	76	150
Changes in assets and liabilities:		
Trade receivables	(6,300)	(16,356)
Due from related parties	(3,067)	33,483
Prepaid and other assets	1,581	(156)
Other assets	(7,143)	—
Accounts payable	1,960	—
Payable to related parties	(1,906)	(52,282)
Deferred revenue	33,467	29,048
Accrued compensation and related benefits	(2,913)	(8,408)
Income taxes payable	4,415	(545)
Other accrued liabilities	2,951	6,581
<b>Net cash provided by operating activities</b>	<b>111,564</b>	<b>68,356</b>
<b>Cash flows from investing activities</b>		
Cash deposited with related parties	137,625	278,432
Purchased property, equipment and leasehold improvements	(19,097)	(946)
<b>Net cash provided by investing activities</b>	<b>118,528</b>	<b>277,486</b>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(16,687)	—
Note Payable to Morgan Stanley	—	625,901
Payments of cash dividends	—	(973,000)
Repurchase of treasury shares	(586)	—
Expenses related to initial public offering	(21)	—
<b>Net cash used in financing activities</b>	<b>(17,294)</b>	<b>(347,099)</b>
<b>Effect of exchange rate changes</b>	<b>(164)</b>	<b>(1,506)</b>
<b>Net increase (decrease) in cash</b>	<b>212,634</b>	<b>(2,763)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>33,818</b>	<b>24,362</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 246,452</b>	<b>\$ 21,599</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 20,594	\$ 1,856
Cash paid for income taxes	\$ 51,574	\$ 5,207
<b>Supplemental disclosure of non-cash investing activities</b>		
Non-cash purchase of property, equipment and leasehold improvements	\$ 984	\$ —
<b>Supplemental disclosure of non-cash financing activities</b>		
Initial public offering related costs	\$ —	\$ 1,888

See Notes to Unaudited Condensed Consolidated Financial Statements

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

**1. INTRODUCTION AND BASIS OF PRESENTATION**

**Organization**

The condensed consolidated financial statements include the accounts of MSCI Inc. (formerly known as Morgan Stanley Capital International Inc.) and its subsidiaries. MSCI Inc. and its subsidiaries are hereafter referred to collectively as the “Company” or “MSCI.” In November 2007, MSCI completed an initial public offering of 16.1 million class A common shares, representing 16.1% of the economic interest in the Company, and received net proceeds of \$265.0 million, net of underwriters discounts, commissions and other offering expenses. In May 2008, Morgan Stanley (“Morgan Stanley”) and the Capital Group Companies Charitable Foundation (“Capital Group”) sold approximately 28.0 million and approximately 2.9 million class A common shares, respectively, pursuant to a registered secondary equity offering. In July 2008, Morgan Stanley sold approximately 25.3 million class A common shares pursuant to a registered secondary equity offering. Morgan Stanley retained approximately 27.7% of the economic interest and approximately 65.7% of the voting interest in the Company. Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

MSCI is a leading global provider of investment decision support tools including indices and portfolio risk and performance analytics for use in managing investment portfolios. The Company’s products are used by institutions investing in or trading equity, fixed income and multi-asset class instruments and portfolios around the world. The Company’s flagship products are its international equity indices marketed under the MSCI brand and its equity and multi-asset class portfolio analytics marketed under the Barra brand. The Company’s products are used in many areas of the investment process, including portfolio construction and optimization, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, investment manager selection and investment research.

The Company’s primary products consist of equity indices, equity portfolio analytics and multi-asset class portfolio analytics. The Company also has product offerings in the areas of fixed income portfolio analytics, hedge fund indices and risk models, and energy and commodity asset valuation analytics. The Company’s products are generally comprised of proprietary index data, risk data and sophisticated software applications. The Company’s index and risk data are created by applying its models and methodologies to market data. The Company’s clients can use its data together with its proprietary software applications, third-party applications or their own applications in their investment processes. The Company’s proprietary software applications offer its clients sophisticated portfolio analytics to perform in-depth analysis of their portfolios, using its risk data, the client’s portfolio data and fundamental and market data.

**Basis of Presentation and Use of Estimates**

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and include all normal and recurring adjustments necessary to present fairly the financial condition as of August 31, 2008 and November 30, 2007, and the results of operations for the three and nine months ended August 31, 2008 and 2007, as well as cash flows for the nine months ending August 31, 2008 and 2007. The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes included in MSCI’s Annual Report on Form 10-K for the fiscal year ended November 30, 2007. The November 30, 2007 consolidated financial statement information has been derived from the 2007 audited consolidated financial statements. Income from interim periods may not be indicative of future results.

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 income, the allowance for doubtful accounts, impairment of long-lived assets, goodwill, intangible assets, accounting for 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.

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

The condensed consolidated statements of income reflect expense allocations for certain corporate functions historically provided by Morgan Stanley, including human resources, information technology, accounting, legal and compliance, corporate services, treasury and other services. These allocations are based on what the Company and Morgan Stanley considered reasonable reflections of the utilization levels of these services required in support of the Company's business and are based on methods that include direct time tracking, headcount, inventory metrics and corporate overhead. Inter-company balances and transactions are eliminated in consolidation.

Certain prior period amounts have been reclassified to conform to current period presentations.

***Change in Presentation***

Effective June 1, 2008, the Company began presenting gains and losses resulting from foreign currency transactions as a component of other expense (income) in accordance with Statement of Financial Accounting Standard ("SFAS") No. 52, "*Foreign Currency Translation*" ("SFAS 52"). Prior to June 1, 2008, the Company included such gains and losses as components of cost of services and selling, general and administrative. The Company changed its presentation because foreign currency gains and losses are incidental to the business and not part of day to day operations. Prior period amounts have been reclassified to conform to current period presentation. For the three months ended August 31, 2007, \$72,000 and \$338,000 recorded in cost of services and selling, general and administrative expenses, respectively, was moved to other expense (income). For the nine months ended August 31, 2007, \$65,000 and (\$56,000) recorded in cost of services and selling, general and administrative expenses, respectively, was moved to other expense (income).

***Concentration of Credit Risk***

The Company licenses its products and services to investment managers primarily in the United States, Europe, Asia (Japan, Hong Kong and Singapore) and Australia. The Company evaluates the credit of its customers and does not require collateral. The Company maintains reserves for estimated credit losses.

Financial instruments that may potentially subject the Company to concentrations of credit risk consist principally of cash investments and short-term investments. Prior to July 1, 2008, excess cash was held on deposit with Morgan Stanley and was unsecured. The Company received interest at Morgan Stanley's internal prevailing rates. At November 30, 2007, amounts held on deposit with Morgan Stanley were \$137.6 million. On June 30, 2008, at MSCI's instruction, Morgan Stanley transferred MSCI's cash held on deposit to MSCI and following the transfer, the Company deposited the cash predominantly with Bank of America.

For the three months ended August 31, 2008 and 2007, Barclays PLC and its affiliates accounted for 11.7% and 14.3%, respectively, of the Company's operating revenues. For the nine months ended August 31, 2008 and 2007, Barclays PLC and its affiliates accounted for 11.9% and 13.0%, respectively, of the Company's operating revenues.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2007, the Emerging Issues Task Force ("EITF") reached consensus on Issue No. 06-11, "*Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*" EITF Issue No. 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock units that are expected to vest be recorded as an increase to additional paid-in capital. The Company currently accounts for this tax benefit as a reduction to its income tax provision. EITF Issue No. 06-11 is to be applied prospectively for tax benefits on dividends declared in fiscal years beginning after December 15, 2007. As the Company currently has no plans to pay a dividend, the adoption of EITF Issue No. 06-11 is not expected to have an impact on the Company's condensed consolidated financial statements.

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), "*Business Combinations*" ("SFAS No. 141(R)"). SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS



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

No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after December 1, 2009.

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 13*” (“SFAS No. 161”). SFAS No. 161 establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the impact that SFAS No. 161 will have on its condensed consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*” (“SFAS No. 162”). SFAS No. 162 identifies, within the accounting literature established by the FASB, the sources and hierarchy of the accounting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission’s (“SEC’s”) approval of the Public Company Accounting Oversight Board (“PCAOB”) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The adoption is not expected to have an impact on the Company’s condensed consolidated financial statements.

**3. EARNINGS PER COMMON SHARE**

Basic and diluted earnings per common share (“EPS”) are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted weighted average common shares includes vested and unvested stock options and unvested restricted stock awards. No stock options or restricted stock awards were excluded from the calculation of diluted earnings per share for the three or nine months ended August 31, 2008 or 2007.

The following table sets forth the computation of earnings per share:

	<b>Three Months Ended August 31,</b>		<b>Nine Months Ended August 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(in thousands, except per share data)</b>		<b>(in thousands, except per share data)</b>	
Net income	\$ 18,878	\$ 21,379	\$ 55,443	\$ 62,872
Basic weighted average common shares outstanding	100,052	83,900	100,020	83,900
Basic weighted average common shares outstanding	100,052	83,900	100,020	83,900
Effect of dilutive securities:				
Stock options and restricted stock units	1,646	—	1,216	—
Diluted weighted average common shares outstanding	101,698	83,900	101,236	83,900
Earnings per basic common share	\$ 0.19	\$ 0.25	\$ 0.55	\$ 0.75
Earnings per diluted common share	\$ 0.19	\$ 0.25	\$ 0.55	\$ 0.75

**4. COMPREHENSIVE INCOME**

The components of comprehensive income are as follows:

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

	<u>Three Months Ended August 31,</u>		<u>Nine Months Ended August 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(in thousands)		(in thousands)	
Net income	\$ 18,878	\$ 21,379	\$ 55,443	\$ 62,872
Other comprehensive income, net of tax:				
Net changes in unrealized (losses) gains on cash flow hedges	(858)	—	1,305	—
Foreign currency translation adjustments	(1,095)	(2,846)	(164)	(1,506)
Comprehensive income	<u>\$ 16,925</u>	<u>\$ 18,533</u>	<u>\$ 56,584</u>	<u>\$ 61,366</u>

**5. RELATED PARTY TRANSACTIONS**

*Cash Deposits, Receivables from Related Parties and Interest Income.* Prior to July 1, 2008, the Company deposited most of its excess funds with Morgan Stanley. Related party receivables consist of amounts due to the Company for sales of products and services to Morgan Stanley. The Company received interest at Morgan Stanley's internal prevailing rates on its cash deposits and related party receivables. Related party receivables as of August 31, 2008 were approximately \$5.7 million. On June 30, 2008, at MSCI's instruction, Morgan Stanley transferred MSCI's cash held on deposit to MSCI and following the transfer, the Company deposited the cash predominately with Bank of America. Interest earned on both cash on deposit with Morgan Stanley and related party receivables for the three months ended August 31, 2008 and 2007 totaled approximately \$0.9 million and \$1.1 million, respectively. Interest earned on both cash on deposit with Morgan Stanley and related party receivables for the nine months ended August 31, 2008 and 2007 totaled approximately \$5.3 million and \$11.6 million, respectively.

*Revenues.* Morgan Stanley or its affiliates subscribe to, in the normal course of business, certain of the Company's products. Revenues recognized by the Company from subscription to the Company's products by Morgan Stanley for the three months ended August 31, 2008 and 2007 were \$2.9 million and \$3.3 million, respectively. For the nine months ended August 31, 2008 and 2007, revenues of \$9.1 million and \$10.3 million, respectively, were from Morgan Stanley and from Capital Group International, which is not a related party for the three or nine months ended August 31, 2008.

*Administrative Expenses.* Morgan Stanley affiliates have invoiced administrative expenses to the Company relating to office space, equipment and staff services. The amounts invoiced by Morgan Stanley affiliates for staff services for the three months ended August 31, 2008 and 2007 were \$3.9 million and \$7.0 million, respectively. The amounts invoiced by Morgan Stanley affiliates for staff services for the nine months ended August 31, 2008 and 2007 were \$16.0 million and \$19.8 million, respectively.

*Payables to Related Parties.* Current payables to related parties consist principally of amounts due to Morgan Stanley affiliates for services provided to the Company and state income taxes. Historically, payables to related parties consisted of amounts due to Morgan Stanley affiliates for the Company's expenses, income taxes and prepayments for the Company's services. The amounts outstanding are unsecured, bear interest at Morgan Stanley's internal prevailing rates and are payable on demand. Amounts payable to related parties as of August 31, 2008 were \$15.2 million. Interest expense on these payables for the three months ended August 31, 2008 and 2007 was less than \$0.1 million and \$1.3 million, respectively. Interest expense on these payables for the nine months ended August 31, 2008 and 2007 was \$0.4 million and \$1.6 million, respectively.

**MSCI INC.**  
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**6. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Property, equipment and leasehold improvements at August 31, 2008 and November 30, 2007 consisted of the following:

	As of	
	August 31, 2008	November 30, 2007
Computer & related equipment	\$ 19,376	\$ 7,598
Furniture & fixtures	2,332	1,520
Leasehold improvements	10,479	8,532
Work-in-process	2,829	—
Subtotal	35,016	17,650
Accumulated depreciation and amortization	(13,039)	(13,404)
Property, equipment and leasehold improvements, net	\$ 21,977	\$ 4,246

Depreciation and amortization expense of property, equipment and leasehold improvements was \$1.3 million and \$0.4 million for the three months ended August 31, 2008 and 2007, respectively. Depreciation and amortization expense of property, equipment and leasehold improvements was \$2.3 million and \$1.5 million for the nine months ended August 31, 2008 and 2007, respectively.

**7. INTANGIBLE ASSETS**

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.

Amortization expense related to intangible assets for the three months ended August 31, 2008 and 2007 was approximately \$7.1 million and \$6.7 million, respectively. Amortization expense related to intangible assets for the nine months ended August 31, 2008 and 2007 was approximately \$21.4 million and \$19.2 million, respectively.

The gross carrying amounts and accumulated amortization totals related to the Company's identifiable intangible assets are as follows:

	Gross Carrying Value	Accumulated Amortization (in thousands)	Net Carrying Value
As of August 31, 2008			
Technology/software	\$ 140,800	\$ (84,631)	\$ 56,169
Trademarks	102,220	(20,669)	81,551
Customer relationships	25,880	(10,568)	15,312
Non-competes	50	(50)	—
Total	\$ 268,950	\$ (115,918)	\$ 153,032

**8. INVESTMENT IN UNCONSOLIDATED COMPANY**

The Company holds a 17% interest in Alacra, Inc. on a fully diluted basis. The investment is carried at approximately \$3.0 million, which has been accounted for under the cost method. This interest was acquired as part of the purchase of Barra in 2004. The Company periodically reviews the financial performance, liquidity and other general market factors related to Alacra, Inc. to determine if the carrying value is still appropriate. The Company performed such a review as of February 29, 2008. No impairment was recorded.

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**9. COMMITMENTS AND CONTINGENCIES**

*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 and nine months ended August 31, 2008 was \$2.1 million and \$8.0 million, respectively. Rent expense for the three and nine months ended August 31, 2007 was \$2.9 million and \$8.0 million, respectively.

*Long-term debt.* On November 14, 2007, the Company entered into a secured \$500.0 million credit facility with Morgan Stanley Senior Funding, Inc. and Bank of America, N.A., as agents for a syndicate of lenders, and other lenders party thereto pursuant to a credit agreement dated as of November 20, 2007 (the "Credit Facility"). Outstanding borrowings under the Credit Facility initially accrued interest at (i) LIBOR plus a fixed margin of 2.50% in the case of the term loan A facility and the revolving credit facility and 3.00% in the case of the term loan B facility or (ii) the base rate plus a fixed margin of 1.50% in the case of the term loan A facility and the revolving credit facility and 2.00% in the case of the term loan B facility. In April 2008 and again in July 2008, the Company's fixed margin rate was reduced by 0.25%. On August 29, 2008, the rates were adjusted to 4.81% and 5.31% following a LIBOR reset. The term loan A facility and the term loan B facility will mature on November 20, 2012 and November 20, 2014, respectively. At August 31, 2008, \$407.3 million, net of \$1.0 million discount, was outstanding and there was \$75.0 million of unused credit under the revolving credit facility.

*Interest Rate Swaps and Derivative Instruments.* On February 13, 2008, the Company entered into interest rate swap agreements through the end of November 2010 for an aggregate notional principal amount of \$251.7 million. By entering into these agreements, the Company reduced interest rate risk by effectively converting floating-rate debt into fixed-rate debt. This action reduces the Company's risk of incurring higher interest costs in periods of rising interest rates and improves the overall balance between floating and fixed-rate debt. The effective rate on the Company's outstanding debt including the effect of interest rate swaps was 5.16% for the three months ended August 31, 2008. The effective fixed rate as of August 31, 2008 was 5.15% and the aggregate notional principal amount was \$245.0 million. These swaps are designated as cash flow hedges and qualify for hedge accounting treatment under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133").

The Company's derivative instruments are recorded at fair value. Changes in fair value derivatives that have been designated as cash flow hedges are included in "Unrealized gains on cash flow hedges" as a component of other comprehensive income to the extent of the effectiveness of such hedging instruments. Any ineffective portion of the change in fair value of the designated hedging instruments would be included in the Condensed Consolidated Statements of Income. Gains and losses are reclassified from accumulated other comprehensive income to the Consolidated Statement of Income in the period the hedged transaction affects earnings.

For the three months ended August 31, 2008, the Company recorded a pre-tax loss in other comprehensive income of \$1.4 million (\$0.9 million after tax) as a result of the fair value measurement of these swaps. For the nine months ended August 31, 2008, the Company recorded a pre-tax gain in other comprehensive income of \$2.2 million (\$1.3 million after tax) as a result of the fair value measurement of these swaps. The fair value of these swaps is included in other accrued liabilities on the Company's Condensed Consolidated Statement of Financial Position.

**10. EMPLOYEE BENEFITS**

Through August 31, 2008, the Company participated in defined benefit pension and other postretirement plans sponsored by Morgan Stanley for eligible employees. A supplementary pension plan covering certain executives was directly sponsored by Morgan Stanley. The Company also participated in a separate defined contribution pension plan maintained by Morgan Stanley that covered substantially all of its non-U.S. employees. The assets and obligations under these plans were not separately identifiable for the Company. Discrete, detailed information concerning costs of these plans was not available for the Company, but is part of general and administrative costs allocated by Morgan Stanley included in operating expenses on the statement of income. Costs relating to pension and postretirement benefit expenses allocated from Morgan Stanley included in cost of services were \$0.5 million and \$1.5 million for the three and nine months ended August 31, 2008, respectively, and \$0.5 million and \$1.3

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million for the three and nine months ended August 31, 2007, respectively. The amounts included in selling, general and administrative expense related to these pension and postretirement expenses were \$0.2 million for both the three and nine months ended August 31, 2008 and \$0.1 million and \$0.2 million for the three and nine months ended August 31, 2007, respectively.

Beginning on September 1, 2008, the Company's employees were treated as terminated under plans sponsored by Morgan Stanley. A portion of the Morgan Stanley Employees Retirement Plan, the Swiss pension plan to which the Company was affiliated, was spun-off to a separate plan, the Benefit Plan of MSCI Barra SA, effective September 1, 2008. There was no significant impact to net periodic pension cost as a result of the plan split-off.

The following discussion summarizes the Employee benefit plans that were in effect prior to September 1, 2008 sponsored by Morgan Stanley.

*Pension and Other Postretirement Plans.* Substantially all of the U.S. employees of the Company hired before July 1, 2007 and its U.S. affiliates were covered by a non-contributory, defined benefit pension plan that is qualified under Section 401(a) of the Internal Revenue Code (the "Qualified Plan"). Unfunded supplementary plans (the "Supplemental Plans") covered certain executives. These pension plans generally provide pension benefits that are based on each employee's years of credited service and on compensation levels specified in the plans. Morgan Stanley's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations. Liabilities for benefits payable under its Supplemental Plans were accrued by the Company and funded when paid to the beneficiaries. Morgan Stanley's Qualified Plan was closed to new participants effective July 1, 2007. In lieu of a defined benefit pension plan, eligible employees who were first hired, rehired or transferred to a U.S. benefits eligible position on or after July 1, 2007, received a retirement contribution into their 401(k) plan. The amount of the retirement contribution was included in the Company's 401(k) cost and was equal to between 2% to 5% of eligible pay based on years of service as of December 31.

The Company also participated in an unfunded postretirement benefit plan that provided medical and life insurance for eligible U.S. retirees and their dependents.

*Net Periodic Benefit Expense.* Net periodic benefit expense allocated to the Company related to pension costs was \$0.6 million and \$1.6 million for the three and nine months ended August 31, 2008, respectively. Net periodic benefit expense allocated to the company related to pension costs for the three and nine months ended August 31, 2007 was \$0.6 million and \$1.4 million, respectively. The net periodic benefit expense related to postretirement costs was not significant for the three months ended August 31, 2008 or 2007. For both the nine months ended August 31, 2008 and 2007 periods, net periodic benefit expense related to postretirement costs was \$0.1 million.

*Morgan Stanley 401(k) and Profit Sharing Award.* Eligible employees received 401(k) matching contributions which were invested in Morgan Stanley's common stock. The retirement contribution granted in lieu of a defined benefit pension plan was included in the Morgan Stanley 401(k) Plan expense allocated to the Company. Morgan Stanley also provided discretionary profit sharing to certain employees. The Company's expenses associated with the 401(k) Plan for the three months ended August 31, 2008 and 2007 were approximately \$0.6 million and \$0.3 million, respectively. For the nine months ended August 31, 2008 and 2007, expenses associated with the 401(k) Plan were \$1.6 million and \$1.4 million, respectively. Effective September 1, 2008 the Company established a separate 401(k) plan for its eligible U.S. employees. The Company's expenses related to Employee Stock Ownership Plans and profit sharing plans for the three months ended August 31, 2008 and 2007 were approximately \$0.2 million and \$0.8 million, respectively. The Company's expenses related to Employee Stock Ownership Plans and profit sharing plans for the nine months ended August 31, 2008 and 2007 were approximately \$0.6 million and \$1.9 million, respectively.

## **11. SHARE BASED COMPENSATION**

On November 6, 2007, the Company's Board of Directors approved the award of founders grants to the Company's employees in the form of restricted stock units and options. The aggregate value of the grants, which were made on November 14, 2007, was approximately \$68.0 million of restricted stock units and options. The restricted stock units and options vest over a four-year period, with 50% vesting on the second anniversary of the

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grant date and 25% vesting on each of the third and fourth anniversary of the grant date. The options have an exercise price per share of \$18.00 and have a term of ten years subject to earlier cancellation in certain circumstances. The aggregate value of the options is calculated using the Black-Scholes valuation method.

All or a portion of the award may be cancelled if employment is terminated in certain situations before the end of the relevant restriction period.

The pre-tax expense of the founders grant for the three and nine months ended August 31, 2008, was approximately \$6.4 million and \$20.3 million, respectively, prior to any estimated forfeitures. After estimated forfeitures, the pre-tax expense of the founders grant was \$5.3 million and \$17.0 million for the three and nine months ended August 31, 2008, respectively.

No awards were granted to employees of MSCI during the nine months ended August 31, 2008. However, the Company awarded 9,776 shares in MSCI common stock and 8,096 restricted stock units to directors who were not employees of the Company or Morgan Stanley during the period. The pre-tax expense of awards to non-employee directors was \$0.1 million and \$0.5 million for the three and nine months ended August 31, 2008, respectively.

## 12. INCOME TAXES

On December 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109*” (“FIN 48”). The adoption of FIN 48 had no financial impact on the Company. The total amount of unrecognized tax benefits as of the date of adoption was approximately \$1.6 million. The Company recognizes the accrual of interest related to unrecognized tax benefits and penalties in its provision for income taxes in its Condensed Consolidated Statement of Income.

The Company is under continuous examination by the Internal Revenue Service (the “IRS”) 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 Company regularly assesses the likelihood of additional assessments in each of the taxing jurisdictions resulting from these and subsequent years’ examinations. The Company believes the resolution of tax matters will not have a material effect on the consolidated financial condition of the Company, although a resolution could have a material impact on the Company’s Condensed Consolidated Statement of Income for a particular future period and on the Company’s effective tax rate for any period in which such resolution occurs.

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

<b>Tax Jurisdiction</b>	<b>Open Tax Years</b>
United States	1999–2007
California	2005–2007
New York State and City	2002–2007
Hong Kong	2002–2007
United Kingdom	2006–2007
Japan	2004–2007

## 13. SEGMENT INFORMATION

FASB Statement No. 131, “*Disclosures about Segments of an Enterprise and Related Information*,” 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, or decision-making group, in deciding how to allocate resources and in assessing performance. Based on the Company’s integration and management strategies, the Company leverages common production, development and client coverage teams to create, produce and license investment decision support tools to various types of investment organizations worldwide. On this basis, the Company has determined that it operates in a single operating segment.

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**14. 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 adverse effect on its business, operating results, financial condition or cash flows.

## 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 position of MSCI Inc. and subsidiaries (the "Company") as of August 31, 2008, and the related condensed consolidated statements of income for the three-month and nine-month periods ended August 31, 2008 and 2007, and the condensed consolidated statements of cash flows for the nine-month periods ended August 31, 2008 and 2007. These interim financial statements are the responsibility of the management of MSCI Inc.

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 November 30, 2007, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity for the fiscal year then ended (not presented herein) included in the Company's Annual Report on Form 10-K; and in our report dated February 27, 2008, which report contains an explanatory paragraph relating to the adoption, in fiscal 2007, of Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)", 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 November 30, 2007 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  
October 3, 2008



## 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 November 30, 2007 (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 each of our Form 10-K and our Form 10-Q for the quarter ended May 31, 2008.*

### Overview

We are a leading global provider of investment decision support tools including indices and portfolio risk and performance analytics for use in managing investment portfolios. Our products are used by institutions investing in or trading equity, fixed income and multi-asset class instruments and portfolios around the world. Our flagship products are our international equity indices marketed under the MSCI brand and our equity portfolio and multi-asset class analytics marketed under the Barra brand. Our products are used in many areas of the investment process, including for portfolio construction and optimization, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, investment manager selection and investment research.

Our clients include asset owners such as pension funds, endowments, foundations, central banks 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; and financial intermediaries such as broker-dealers, exchanges, custodians and investment consultants. As of August 31, 2008, we had a client base of over 3,100 clients across more than 60 countries with approximately 52% of our operating revenues from the Americas, 32% from Europe, the Middle East and Africa ("EMEA"), 9% from Japan and 7% from Asia-Pacific (not including Japan). To help serve our diverse client base, we had 20 offices in 14 countries as of August 31, 2008.

We sell our products through a common sales force, produce them on common data and systems platforms and develop them in our global research and product management organizations. In evaluating our results, we focus on revenues and revenue growth by product category and operating margins encompassing the entire cost structure supporting all our operations. Our current financial focus is on accelerating our revenue growth to generate cash flow to expand our market position and capitalize on the many growth opportunities before us. Our revenue growth strategy includes: (a) expanding and deepening our relationships with the large and increasing number of investment institutions worldwide, (b) developing new and enhancing existing equity product offerings, as well as further developing and growing our investment tools for multi-asset class portfolio analytics 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 will continue to invest in and expand our operating functions and infrastructure, including new sales and client support staff and facilities in locations around the world; additional staff and supporting technology for our research and our data management and production functions; and additional personnel and supporting technology in our general and administrative functions, particularly finance and human resources personnel required to operate as a stand-alone public company. 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 to 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 licensing our equity indices as the basis of ETFs and, in the near term, transition expenses as we separate from Morgan Stanley. As we separate from Morgan Stanley and build out our operating functions and infrastructure, we may experience changes in the split of operating expenses between cost of services and selling, general, and administrative as well as the percentage of our expenses paid in other than US dollars.

The discussion of the Company's results of operations for the three and nine months ended August 31, 2008 and 2007 is presented below. These statements, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "Forward-Looking Statements" immediately preceding Part I, Item 1, "Risk Factors" in Part I, Item 1A. "Certain Factors Affecting Results of Operations" in Part II, Item 7 and other items throughout our Form 10-K, as updated in this Form 10-Q and our prior filings with the SEC. Income from interim periods may not be indicative of future results.

## Results of Operations

Three Months Ended August 31, 2008 Compared to the Three Months Ended August 31, 2007:

	<b>Three Months Ended</b>		<b>Increase/(Decrease)</b>	
	<b>August 31,</b>			
	<b>2008</b>	<b>2007</b>		
<b>(in thousands, except per share data)</b>				
Operating revenues	\$ 110,399	\$ 92,407	\$ 17,992	19.5%
Operating expenses:				
Cost of services	28,131	29,354	(1,223)	(4.2%)
Selling, general and administrative	37,624	23,093	14,531	62.9%
Amortization of intangible assets	7,125	6,697	428	6.4%
<b>Total operating expenses</b>	<b>72,880</b>	<b>59,144</b>	<b>13,736</b>	<b>23.2%</b>
Operating income	37,519	33,263	4,256	12.8%
Interest expense (income) and other, net	7,372	344	7,028	nm
Provision for income taxes	11,269	11,540	(271)	(2.3%)
<b>Net income</b>	<b>\$ 18,878</b>	<b>\$ 21,379</b>	<b>\$ (2,501)</b>	<b>(11.7%)</b>
Earnings per basic common share	\$ 0.19	\$ 0.25	\$ (0.06)	(24.0%)
Earnings per diluted common share	\$ 0.19	\$ 0.25	\$ (0.06)	(24.0%)
Operating margin	34.0%	36.0%		

nm - Not meaningful

## Operating Revenues

We group our revenues into the following four product categories:

- Equity indices
- Equity portfolio analytics
- Multi-asset class portfolio analytics
- Other products

	Three Months Ended		August 31,		Increase/(Decrease)
	2008	2007			
	(in thousands)				
Equity indices:					
Equity index subscriptions	\$ 43,666	\$ 33,405	\$ 10,261	30.7%	
Equity index asset based fees	18,312	16,531	1,781	10.8%	
Total equity indices	61,978	49,936	12,042	24.1%	
Equity portfolio analytics	33,659	29,452	4,207	14.3%	
Multi-asset class portfolio analytics	8,923	6,669	2,254	33.8%	
Other products	5,839	6,350	(511)	(8.0%)	
Total operating revenues	\$ 110,399	\$ 92,407	\$ 17,992	19.5%	

Total operating revenues for the three months ended August 31, 2008 increased \$18.0 million, or 19.5%, to \$110.4 million compared to \$92.4 million for the three months ended August 31, 2007. This growth was driven by an increase in our revenues related to index and analytics subscriptions and equity index asset based fees. Revenue growth was 2.0% for the three months ended August 31, 2008 compared to the three months ended May 31, 2008.

**Equity Indices:** Revenues from equity indices include fees from MSCI equity index subscriptions, fees based on assets in investment products linked to our equity indices, fees from one-time licenses of our equity index historical data, fees from custom MSCI indices and, to a lesser extent, revenues based on the trading volume of futures and options contracts linked to our indices.

Revenues related to Equity Indices increased 24.1% to \$62.0 million in third quarter 2008 compared to the same period in 2007 and increased 3.1% compared to second quarter 2008. Revenues from equity index data subscriptions were up 30.7% to \$43.7 million in third quarter 2008 reflecting growth in subscriptions across all of our MSCI Global Investable Market Indices products, including developed market, emerging market and small cap indices and sales of historical index data. The revenue growth was led by subscriptions to asset managers.

Revenues attributable to equity index asset based fees increased 10.8% to \$18.3 million in third quarter 2008 from \$16.5 million in the same period in 2007 led by growth in our ETF asset based fee revenues. The average value of assets in ETFs linked to MSCI equity indices was \$178.3 billion for third quarter 2008 compared to \$155.7 billion for third quarter 2007. As of August 31, 2008, the value of assets in ETFs linked to MSCI equity indices was \$166.3 billion, representing an increase of \$9.8 billion, or 6.3%, from \$156.5 billion as of August 31, 2007. The year-over-year growth in value of assets in ETFs linked to MSCI equity indices was attributable to net asset inflows of \$35.1 billion, offset by net asset depreciation of \$25.3 billion. Equity index asset based fee revenues remained unchanged compared to the second quarter.

The largest component of equity index asset based fee revenues, ETF asset based revenues, experienced a slight decline in third quarter 2008 compared to second quarter 2008. The average value of assets in ETFs linked to MSCI equity indices was \$178.3 billion for third quarter 2008 compared to \$184.4 billion for second quarter 2008. As of August 31, 2008, the value of assets in ETFs linked to MSCI equity indices was \$166.3 billion representing a decrease of 16.7%, or \$33.3 billion, from \$199.6 billion as of

May 31, 2008. The \$33.3 billion decrease was attributable to an outflow of the net assets as well as net asset depreciation.

The three MSCI indices with the largest amount of ETF assets linked to them as of August 31, 2008 were the MSCI EAFE, Emerging Markets and U.S. Broad Market. The values of assets linked to these indices were \$40.4 billion, \$31.8 billion and \$10.4 billion, respectively.

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	Quarter Ended					
	2007			2008		
	May	August	November	February	May	August
AUM in ETFs linked to MSCI Indices	\$ 150.2	\$ 156.5	\$ 191.7	\$ 179.2	\$ 199.6	\$ 166.3
Sequential Change (\$ Growth in Billions)						
Market Appreciation/(Depreciation)	\$ 5.9	\$ (0.8)	\$ 11.2	\$ (15.2)	\$ 9.9	\$ (31.2)
Cash Inflow/(Outflow)	8.9	7.1	24.0	2.7	10.5	(2.1)
Total Change	\$ 14.8	\$ 6.3	\$ 35.2	\$ (12.5)	\$ 20.4	\$ (33.3)

Source: Bloomberg and MSCI

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

\$ in Billions	Quarterly Average					
	2007			2008		
	May	August	November	February	May	August
AUM in ETFs linked to MSCI Indices	\$ 140.8	\$ 155.7	\$ 176.9	\$ 183.2	\$ 184.4	\$ 178.3

Source: Bloomberg and MSCI

**Equity Portfolio Analytics:** Revenues for equity portfolio analytics include annual recurring subscriptions to Barra Aegis and our proprietary risk data, Barra Equity Models Direct products and our proprietary equity risk data incorporated in third-party software application offerings (Barra on Vendors).

Revenues related to Equity Portfolio Analytics products increased 14.3% to \$33.7 million in third quarter 2008 compared to the same period in 2007. The year-over-year increase reflects new subscriptions to our proprietary equity risk data accessed directly and bundled with Aegis. Compared to the second quarter 2008, revenues related to equity portfolio analytics remained flat.

**Multi-Asset Class Portfolio Analytics:** Revenues for multi-asset class portfolio analytics include revenues from recurring subscriptions to BarraOne and Barra TotalRisk and for our proprietary risk data for multiple asset classes. Revenues related to multi-asset class portfolio analytics increased 33.8% to \$8.9 million in third quarter 2008 compared to \$6.7 million in the same period in 2007 and increased 3.8% compared to the second quarter 2008. BarraOne revenue growth remained strong due to sales to existing clients as well as new client additions led by orders from asset managers and asset owners. The EMEA region was particularly strong reflecting demand for centralized risk reporting tools. We are in the process of decommissioning our client-hosted product, TotalRisk, and are providing clients the opportunity to transition to our web-based BarraOne product.

**Other Products:** The other products category includes revenues from Barra Cosmos for fixed income analytics, revenues from investment products linked to MSCI investable hedge fund indices and revenues from FEA energy and commodity asset valuation analytics products.

Revenues from the other products category decreased 8.0% to \$5.8 million in the third quarter 2008 compared to the same period in 2007. The decline reflects a decrease in revenues of 59.0% to \$0.7 million of asset based fees from investment products linked to MSCI investable hedge fund indices due to a decline in the values of assets attributable to market depreciation and investor withdrawals. We anticipate this trend to continue for the near future. The decline in revenues is partially offset by an increase of 3.6% to \$1.7 million for fixed income analytics and by a 17.5% increase to \$3.4 million for our energy and commodity analytics 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 license whose 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 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 at the time we receive such notice, even if the 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 one-time 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;
- price changes;
- timing differences under GAAP between when we receive fees and the realization of the related revenues; and
- fluctuations in foreign exchange rates.

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

	As of			Change from	
	August 31, 2008	August 31, 2007	May 31, 2008	August 31, 2007	May 31, 2008
	(in thousands)				
<b>Subscription based fees:</b>					
Equity indices	\$ 169,284	\$ 136,990	\$ 161,147	23.6%	5.1%
Equity portfolio analytics	134,172	121,475	134,509	10.5%	(0.3%)
Multi-asset class analytics	34,076	27,921	33,255	22.0%	2.5%
Other	19,243	17,053	19,315	12.8%	(0.4%)
<b>Subscription based fees total</b>	<b>356,775</b>	<b>303,439</b>	<b>348,226</b>	<b>17.6%</b>	<b>2.5%</b>
<b>Asset based fees:</b>					
Equity indices <sup>(1)</sup>	70,172	63,201	79,358	11.0%	(11.6%)
Hedge fund indices	2,681	7,238	2,684	(63.0%)	(0.1%)
<b>Asset based fees total</b>	<b>72,853</b>	<b>70,439</b>	<b>82,042</b>	<b>3.4%</b>	<b>(11.2%)</b>
<b>Total run rate</b>	<b>\$ 429,628</b>	<b>\$ 373,878</b>	<b>\$ 430,268</b>	<b>14.9%</b>	<b>(0.2%)</b>

(1) Includes asset based fees for ETFs, passive mutual funds, transaction volume-based fees for futures and options traded on certain MSCI indices and other structured products.

Changes in Run Rate between periods reflect increases from new subscriptions, decreases from cancellations, increases or decreases, as the case may be, from the change in the value of assets of investment products linked to MSCI indices, the change in trading volumes of futures and options contracts linked to MSCI indices, price changes and fluctuations in foreign exchange rates.

#### **Aggregate and Core Retention Rates**

The following table sets forth our Aggregate and Core Retention Rates for the periods indicated:

	Three Months Ended August 31,	
	2008	2007
Aggregate Retention Rate	92%	92%
Core Retention Rate	94%	95%

Because subscription cancellations decrease our Run Rate and ultimately our operating revenues, other key metrics are our "Aggregate Retention Rate" and our "Core Retention Rate." The Aggregate Retention Rate represents the percentage of the Run Rate as of the beginning of the period that is not cancelled during the 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. Our Core Retention Rate is calculated in the same way as our Aggregate Retention Rate, except that the Core Retention Rate does not treat switches between products as a cancellation. 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. Aggregate and Core Retention Rates for a non-annual period are annualized.

Our Aggregate Retention Rate remained the same when comparing the third quarter 2008 to the third quarter 2007. The Core Retention Rate for the quarter ended August 31, 2008 was 94% compared to 95% for the quarter ended August 31, 2007. The decline in the Core Retention Rate is attributable to lower retention rates for Barra Aegis and Barra TotalRisk.

In recent years on average, approximately 40% of our subscription cancellations have occurred in the fourth fiscal quarter. As a result, our Aggregate Retention Rate generally has been higher during the first three fiscal quarters and lower in the fourth fiscal quarter.

### *Operating Expenses*

Operating expenses increased 23.2% to \$72.9 million in third quarter 2008 compared to \$59.1 million in third quarter 2007. Founders grant expenses totaled \$5.3 million for the three months ended August 31, 2008. Excluding the founders grant expenses, operating expenses increased 14.2% to \$67.6 million in third quarter 2008, with increases in compensation and non-compensation expenses of 19.2% and 8.6%, respectively. Expenses associated with the replacement of services currently provided by Morgan Stanley were \$7.8 million in third quarter 2008 and were not significant in third quarter 2007, and the allocation expense for services currently provided by Morgan Stanley was \$3.9 million in third quarter 2008 compared to \$7.0 million in third quarter 2007 and \$5.8 million in second quarter 2008.

Compensation and benefits expenses represent the majority of our expenses across all of our operating functions and represent approximately 60% of our total operating expenses. These expenses generally contribute to the majority of our expense increases from period to period, reflecting existing staff compensation and benefit increases and increased staffing levels. Continued growth of our staff in emerging market locations around the world is an important factor in our ability to manage and control the growth of our compensation and benefit expenses. An important location for us is Mumbai, India, where we have increased our staff levels significantly since commencing our operations there in early 2004 with a small staff in data management and production. Subsequently, we expanded the scale of our operations there by adding teams in research and administration, as well as by continuing to expand the data management and production team. Another important location for us is Budapest, Hungary, where we opened an office in August 2007. We plan to continue to develop this location as an important information technology center, software engineering center and client service center.

Compensation expense in third quarter 2008 was \$42.5 million, an increase of \$11.3 million from third quarter 2007. The increase is a result of \$5.3 million of expenses related to the founders grant, \$2.4 million attributable to people hired in connection with replacing services provided by Morgan Stanley and \$3.6 million attributable to higher compensation costs for existing staff and new hires, including personnel hired in emerging market centers.

In fiscal 2007, no stock based compensation was granted to employees in addition to the one time founders grant. Similar to years prior to fiscal 2007, we expect to pay stock based compensation to employees for fiscal 2008.

The number of full-time employees increased by 96 to 724 on August 31, 2008 from 628 on August 31, 2007 and by 38 from 686 on May 31, 2008. On August 31, 2008, 120 full-time employees were located in Budapest and Mumbai compared to 56 on August 31, 2007 and 103 on May 31, 2008.

Non-compensation expense for third quarter 2008 increased \$2.4 million to \$30.4 million compared to third quarter 2007. The increase reflects \$5.4 million related to the replacement of services currently provided by Morgan Stanley, partially offset by a \$3.1 million reduction in the expense allocation from Morgan Stanley.

A significant expense for us has historically been services provided by our principal shareholder, Morgan Stanley. As a majority-owned subsidiary of Morgan Stanley, we have relied on Morgan Stanley to provide a number of administrative support services and facilities. Although we will continue to operate under a services agreement with Morgan Stanley, the amount and composition of our expenses may vary from historical levels as we replace these services with ones supplied by us or by third parties. We are investing in the expansion of our own administrative functions, including finance, legal and compliance and human resources, as well as information

technology infrastructure, to replace services currently provided by Morgan Stanley. Because of initial set-up costs and overlaps with services currently provided by Morgan Stanley, our expenses increased in the third quarter. We expect operating expense increases from initial set-up costs and overlaps with the cost of Morgan Stanley Services to continue until we have replaced services currently provided by Morgan Stanley. In addition, we are incurring additional costs as a public company, including directors' compensation, audit, listing fees, investor relations, stock administration and regulatory compliance costs.

Information technology costs, which include market data, amortization of hardware and software products, and telecommunications services, are also an important part of our expense base.

We group our expenses into three categories:

- Cost of services
- Selling, general and administrative ("SG&A")
- Amortization of intangible assets

Because compensation and benefits expenses represent the majority of our expenses in both the costs of services and SG&A expense categories, we discuss our compensation and non-compensation expenses separately in each of these categories. 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 consistent with the allocation of employees to those respective areas. The following table shows operating expenses by each of the categories:

	<b>Three Months Ended</b>		<b>Increase/(Decrease)</b>	
	<b>August 31, 2008</b>	<b>August 31, 2007</b>		
	<b>(in thousands)</b>			
<b>Cost of services:</b>				
Compensation	\$ 19,797	\$ 17,842	\$ 1,955	11.0%
Non-compensation expenses	8,334	11,512	(3,178)	(27.6%)
<b>Total cost of services</b>	<b>28,131</b>	<b>29,354</b>	<b>(1,223)</b>	<b>(4.2%)</b>
<b>Selling, general and administrative:</b>				
Compensation	22,670	13,295	9,375	70.5%
Non-compensation expenses	14,954	9,798	5,156	52.6%
<b>Total selling, general and administrative</b>	<b>37,624</b>	<b>23,093</b>	<b>14,531</b>	<b>62.9%</b>
<b>Amortization of intangible assets</b>	<b>7,125</b>	<b>6,697</b>	<b>428</b>	<b>6.4%</b>
<b>Total operating expenses</b>	<b>\$ 72,880</b>	<b>\$ 59,144</b>	<b>\$ 13,736</b>	<b>23.2%</b>

#### **Cost of Services**

Cost of services includes costs related to our research, data management and production, client service, software engineering and product management functions. Costs in these areas include staff compensation and benefits, allocated office space, market data fees and certain information technology services provided by Morgan Stanley. The largest expense in this category is compensation and benefits. As such, they generally contribute to a majority of our expense increases from period to period, reflecting compensation and benefits increases for existing staff and increased staffing levels.

Cost of services decreased \$1.2 million, or 4.2%, to \$28.1 million in third quarter 2008 compared to \$29.4 million in third quarter 2007. Excluding the founders grant, cost of services expenses decreased 9.5% to \$26.6



million in third quarter 2008, reflecting a decrease in non-compensation expenses. Compensation expenses excluding the founders grant increased 2.1% reflecting increased staffing levels in our emerging market centers. Non-compensation expenses decreased 27.6% due largely to a reduction in the expense allocation from Morgan Stanley and declines in information technology expenses. The expense allocation from Morgan Stanley decreased 65.3% to \$1.5 million in third quarter 2008 compared to \$4.5 million in third quarter 2007.

### ***Selling, General and Administrative***

SG&A expenses include compensation 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 is compensation and benefits. As such, they generally contribute to a majority of our expense increases from period to period, reflecting compensation and benefits increases for existing staff and increased staffing levels. Other significant expenses are for services provided by Morgan Stanley and office space.

SG&A expenses increased 62.9% to \$37.6 million in third quarter 2008 compared to \$23.1 million in third quarter 2007. Excluding the founders grant, SG&A expenses increased 46.6% to \$33.9 million in third quarter 2008. Compensation expenses excluding the founders grant increased 42.2% to \$18.9 million, which was attributable to higher compensation costs for existing staff and increased staffing levels related to replacing current Morgan Stanley services. Non-compensation expenses increased 52.6% to \$15.0 million. The \$5.2 million increase in non-compensation expense is due primarily to the replacement of services currently provided by Morgan Stanley. In third quarter 2008, we recorded an additional \$0.3 million reserve for receivables associated with the bankruptcy filing of Lehman Brothers Holdings Inc. Within SG&A, selling expenses increased 14.6% to \$11.2 million in third quarter 2008 and general and administrative expenses increased 98.3% to \$26.4 million.

### ***Founders Grant***

Expenses related to the founders grant of \$5.3 million in third quarter 2008 reflected the amortization of share based compensation expense associated with restricted stock units and options awarded to employees as a one-time grant which became effective in connection with our IPO completed in November 2007. Of the \$5.3 million of founders grant expenses, \$1.6 million was recorded in cost of services and \$3.7 million was recorded in SG&A. In third quarter 2007, there were no expenses associated with the founders grant.

### ***Amortization of Intangibles***

Amortization of intangibles expense relates to the intangible assets arising from the acquisition of Barra in June 2004. At August 31, 2008, our intangible assets totaled \$153.0 million, net of accumulated amortization. For the three months ended August 31, 2008, amortization expense totaled \$7.1 million, an increase of \$0.4 million compared to the three-month period ended August 31, 2007. The increase is due to a reduction in the useful life of our TotalRisk product, which is consistent with our timeframe to transition TotalRisk clients to BarraOne. (See Note 7 to the Condensed Consolidated Financial Statements, "Intangible Assets" for further information.)

### ***Interest Expense (Income) and Other, Net***

Interest expense (income) and other, net was an expense of \$7.4 million in third quarter 2008 compared to net expense of \$0.3 million in third quarter 2007. The \$7.1 million increase reflects an increase in interest expense of \$4.7 million primarily related to interest on our term loan borrowings under our Credit Facility and a foreign currency exchange loss of \$3.0 million due to foreign currency remeasurements, partially offset by a \$0.7 million increase in interest income. (See Note 9 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies" for further information regarding the Credit Facility.)

### ***Income Taxes***

The provision for income taxes decreased 2.3% to \$11.3 million in third quarter 2008 as a result of lower pre-tax income offset in part by an increase in our effective tax rate. The effective tax rate for third quarter 2008 was 37.4% compared to 35.1% in third quarter 2007. The increase is largely due to higher state taxes.

## Results of Operations

Nine Months Ended August 31, 2008 Compared to the Nine Months Ended August 31, 2007:

	Nine Months Ended August 31,		Increase/(Decrease)	
	2008	2007		
	(in thousands, except per share data)			
Operating Revenues	\$ 323,545	\$ 268,228	\$ 55,317	20.6%
Operating expenses:				
Cost of services	89,222	91,968	(2,746)	(3.0%)
Selling, general and administrative	107,360	67,940	39,420	58.0%
Amortization of intangible assets	21,375	19,228	2,147	11.2%
Total operating expenses	217,957	179,136	38,821	21.7%
Operating income	105,588	89,092	16,496	18.5%
Interest expense(income) and other, net	16,321	(10,099)	26,420	nm
Provision for income taxes	33,824	36,319	(2,495)	(6.9%)
Net income	\$ 55,443	\$ 62,872	\$ (7,429)	(11.8%)
Earnings per basic common share	\$ 0.55	\$ 0.75	\$ (0.20)	(26.7%)
Earnings per diluted common share	\$ 0.55	\$ 0.75	\$ (0.20)	(26.7%)
Operating margin	32.6%	33.2%		
nm – Not meaningful				

## Operating Revenues

### Operating Revenues by Product Category

	Nine Months Ended August 31,		Increase/(Decrease)	
	2008	2007		
	(in thousands)			
Equity indices:				
Equity index subscriptions	\$ 124,279	\$ 99,748	\$ 24,531	24.6%
Equity index asset based fees	56,207	44,222	11,985	27.1%
Total equity indices	180,486	143,970	36,516	25.4%
Equity portfolio analytics	99,903	89,023	10,880	12.2%
Multi-asset class portfolio analytics	25,413	15,370	10,043	65.3%
Other products	17,743	19,865	(2,122)	(10.7%)
Total operating revenues	\$ 323,545	\$ 268,228	\$ 55,317	20.6%

Total operating revenues for the nine months ended August 31, 2008 increased 20.6% to \$323.5 million compared to \$268.2 million for the nine months ended August 31, 2007. The growth was driven by an increase in our revenues related to three of our four product categories. Approximately 79.7% of our new subscriptions during the first nine months of fiscal 2008 came from existing clients.

**Equity Indices:** Revenues related to equity indices increased \$36.5 million, or 25.4%, to \$180.5 million in the first nine months of fiscal 2008 compared to the same period in 2007. Approximately \$24.5 million, or 67.2%, of the revenue increase was attributable to revenues from equity index subscriptions which increased 24.6% to \$124.3 million for the nine months ended August 31, 2008, largely reflecting growth in subscriptions to our MSCI Global Investable Market Indices, with particular strength in subscriptions to our small cap indices.

Revenues attributable to equity index asset based fees increased \$12.0 million, or 27.1%, to \$56.2 million in the nine months ended August 31, 2008 led by growth in our ETF asset based fee revenues. As of August 31, 2008, the average value of assets in ETFs linked to MSCI equity indices was \$178.3 billion for third quarter 2008 compared to \$155.7 billion for third quarter 2007. As of August 31, 2008, the value of assets in ETFs linked to MSCI equity indices was \$166.3 billion, representing an increase of \$9.8 billion, or 6.3%, from \$156.5 billion as of August 31, 2007. The year-over-year growth in value of assets in ETFs linked to MSCI equity indices was attributable to net asset inflows of \$35.1 billion, partially offset by \$25.3 billion of net asset value depreciation.

The three MSCI indices with the largest amount of ETF assets linked to them as of August 31, 2008 were the MSCI EAFE, Emerging Markets and US Broad Market Indices. The assets linked to these indices were \$40.4 billion, \$31.8 billion and \$10.4 billion in assets, respectively.

**Equity Portfolio Analytics:** In the first nine months of fiscal 2008, revenues related to equity portfolio analytics were \$99.9 million, an increase of \$10.9 million, or 12.2%, compared to \$89.0 million for the same period in 2007. The growth reflects continued new subscriptions of our proprietary equity risk data accessed directly and bundled with Barra Aegis.

**Multi-Asset Class Portfolio Analytics:** For the nine months ended August 31, 2008, revenues related to multi-asset class portfolio analytics were \$25.4 million, an increase of \$10.0 million, or 65.3%, compared to \$15.4 million for the nine months ended August 31, 2007. The year-over-year increase is primarily attributable to revenue growth from BarraOne primarily due to strong demand from asset managers and asset owners for our risk management application used for internal risk reporting and compliance reporting. We also benefited from licensing to existing clients our performance attribution module which was launched in first quarter 2008. We are in the process of decommissioning TotalRisk and are providing clients the opportunity to transition to BarraOne.

**Other Products:** Revenues from other products decreased 10.7% to \$17.7 million in the nine months ended August 31, 2008 compared to \$19.9 million in the same period in 2007. The decline reflects a decrease of 50.6% in asset based fees from investment products linked to MSCI investable hedge fund indices and a decrease of 22.5% for fixed income analytics, offset by a 23.5% increase for our energy and commodity analytics products. The decline in asset based fees from investment products linked to MSCI investable hedge fund indices reflects the decline in the values of assets, attributable to both market depreciation and investor withdrawals.

#### **Retention Rate**

The following table sets forth our Aggregate and Core Retention Rates for the periods indicated:

	<b>Nine Months Ended August 31,</b>	
	<b>2008</b>	<b>2007</b>
Aggregate Retention Rate	93%	93%
Core Retention Rate	94%	94%

Our Aggregate Retention Rate of 93% remained the same for the nine months ended August 31, 2008 compared with the same period in 2007. Our Core Retention Rate for the first nine months of both fiscal 2008 and 2007 was 94%.

## Operating Expenses

Operating expenses for the first nine months of fiscal 2008 increased 21.7% to \$218.0 million compared to \$179.1 million in the first nine months of fiscal 2007. Founders grant expenses for the nine months ended August 31, 2008 totaled \$17.0 million. Excluding the founders grant expenses, operating expenses increased 12.2% to \$200.9 million for the nine months ended August 31, 2008 with compensation expense increasing 10.7% and non-compensation expense increasing 14.1%. The increase in operating expenses was primarily the result of \$15.6 million of expenses associated with replacing services currently provided by Morgan Stanley that were not incurred in first nine months of fiscal 2007. This increase was partially offset by a \$3.8 million decrease in the allocation for services currently provided by Morgan Stanley from \$19.8 million in the first nine months of fiscal 2007 to \$16.0 million in the first nine months of fiscal 2008.

Compensation expense for the nine months ended August 31, 2008 includes \$17.0 million of expenses related to the founders grant and \$5.5 million of expenses related to the replacement of current Morgan Stanley services. In addition, the increase compared to the same period in 2007 reflects higher compensation costs for existing staff and new hires which was partly offset by a movement of personnel to emerging market locations. The increase of \$11.2 million in non-compensation expense for the nine months ended August 31, 2008 compared to the same period in 2007 reflects \$10.1 million of expenses related to the replacement of current Morgan Stanley services, \$2.9 million of public company expenses and \$1.5 million of expenses associated with the May and July 2008 secondary equity offerings, partially offset by the \$3.8 million decline in the expense allocation from Morgan Stanley.

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 consistent with the allocation of employees to those respective areas. Our operating expenses include the following categories:

	Nine Months Ended		Increase/(Decrease)	
	August 31, 2008	August 31, 2007		
	(in thousands)			
Cost of services:				
Compensation	\$ 59,496	\$ 57,748	\$ 1,748	3.0%
Non-compensation expenses	29,726	34,220	(4,494)	(13.1%)
Total cost of services	89,222	91,968	(2,746)	(3.0%)
Selling, general and administrative:				
Compensation	68,038	42,118	25,920	61.5%
Non-compensation expenses	39,322	25,822	13,500	52.3%
Total selling, general and administrative	107,360	67,940	39,420	58.0%
Amortization of intangible assets	21,375	19,228	2,147	11.2%
Total operating expenses	\$ 217,957	\$ 179,136	\$ 38,821	21.7%

## Cost of Services

Cost of services decreased \$2.7 million, or 3.0%, to \$89.2 million for the nine months ended August 31, 2008 compared to the same period of 2007. Compensation expense increased 3.0% to \$59.5 million for the first nine months of fiscal 2008 reflecting increased headcount, including personnel hired in emerging market centers and the founders grant expense of \$4.8 million. Non-compensation expense decreased 13.1% to \$29.7 million largely as a result of a reduction in the expense allocation from Morgan Stanley.

### ***Selling, General and Administrative***

Selling, general and administrative expenses increased 58.0% to \$107.4 million for the nine months ended August 31, 2008. Compensation expenses of \$68.0 million increased by \$25.9 million, or 61.5%, for the first nine months of fiscal 2008 compared to \$42.1 million for the same period in 2007. This increase was attributable to amortization of founders grant expenses, higher compensation costs for existing staff, increased staffing levels related to the replacement of current Morgan Stanley services and higher bonus accruals. The amortization of the founders grant expense was \$12.3 million for the nine months ended August 31, 2008. No founders grant expense was incurred for the same period in 2007.

Non-compensation expenses increased for the nine months ended August 31, 2008, by \$13.5 million, or 52.3%, to \$39.3 million. The increase in non-compensation expense reflects \$10.1 million of expenses related to the replacement of services currently provided by Morgan Stanley, \$2.9 million of public company expenses, and \$1.5 million of expenses associated with the May and June 2008 secondary equity offerings.

### ***Founders Grant***

Expenses related to the founders grant of \$17.0 million for first nine months of fiscal 2008 reflected the amortization of share based compensation expense associated with restricted stock units and options awarded to employees as a one-time grant which became effective in connection with our IPO completed during November 2007. In the nine months ended August 31, 2007, there were no expenses associated with the founders grant.

### ***Amortization of Intangibles***

Amortization of intangibles expense relates to the intangible assets arising from the acquisition of Barra in June 2004. At August 31, 2008, our intangible assets totaled \$153.0 million, net of accumulated amortization. For the nine months ended August 31, 2008, amortization expense totaled \$21.4 million, an increase of \$2.1 million compared to the nine month period ended August 31, 2007. The increase is due to a reduction in the useful life of our TotalRisk product, which is consistent with our timeframe to transition TotalRisk clients to BarraOne. (See Note 7 to the Condensed Consolidated Financial Statements, "Intangible Assets" for further information.)

### ***Interest Expense (Income) and Other, Net***

Interest expense (income) and other, net was an expense of \$16.3 million for the nine months ended August 31, 2008 compared to income of \$10.1 million in the same period in 2007. The \$26.4 million difference reflects a reduction of interest income resulting from average lower cash balances held during the period and an increase in interest expense due to interest paid on term loan borrowings under our Credit Facility. (See Note 9 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies" for further information.) In addition, we recognized a \$3.0 million loss due to foreign currency remeasurement of amounts originally denominated in currencies other than the local currencies.

### ***Income Taxes***

The provision for income taxes decreased 6.9% to \$33.8 million in the nine months ended August 31, 2008. Although pretax income was lower during the nine months ended August 31, 2008, the effective tax rate was higher during the period. The effective tax rate for the nine months ended August 31, 2008 was 37.9% compared to 36.6% in the same period in 2007. The increase is largely due to higher state taxes.

## **Factors Impacting Comparability of Our Financial Results**

Our historical results of operations for the periods presented may not be comparable with prior periods or with our results of operations in the future for the reasons discussed below.

### ***Our Relationship with Morgan Stanley***

Through June 30, 2008, our condensed consolidated financial statements were derived from the financial statements and accounting records of Morgan Stanley using the historical results of operations and historical bases of assets and liabilities of our business. The historical costs and expenses reflected in our unaudited condensed consolidated financial statements include an allocation for certain corporate functions historically provided by Morgan Stanley, including human resources, information technology, accounting, legal and compliance, tax, office space leasing, corporate services, treasury and other services. On July 21, 2008, we entered into an amended services agreement with Morgan Stanley pursuant to which Morgan Stanley and its affiliates agreed to provide us with certain of these services for so long as Morgan Stanley owns more than 50% the total voting power to elect our directors and for periods, varying for different services, of up to 12 months thereafter.

The allocation for services currently provided by Morgan Stanley decreased to \$3.9 million in third quarter 2008 from \$7.0 million in third quarter 2007 and to \$16.0 million for the nine months ended August 31, 2008 from \$19.8 million for the nine months ended August 31, 2007, as certain corporate charges were eliminated and as we in-sourced services previously provided by Morgan Stanley. The expense allocations were based on what we and Morgan Stanley considered to be reasonable reflections of the utilization levels of these services required in support of our business and are based on methods that include direct time tracking, headcount, inventory metrics and corporate overhead. The historical information does not necessarily indicate what our results of operations, financial condition or cash flows will be in the future.

Until we complete the process of replacing services currently provided by Morgan Stanley our expenses will increase in the near term due to initial set up costs and overlaps with the costs of Morgan Stanley services. For the third quarter and first nine months of fiscal 2008, expenses associated with replacing services currently provided by Morgan Stanley were \$7.8 million and \$15.6 million, respectively. These expenses reflect the costs associated with the enhancement of our own information technology, financial, administrative and other support systems or contracting with third parties to replace Morgan Stanley's systems. We are also establishing our own accounting and internal auditing functions separate from those provided to us by Morgan Stanley.

After we completely replace the services currently provided by Morgan Stanley, our expenses may be higher or lower in total than the amounts reflected in the consolidated statements of income. Pursuant to the amended services agreement, Morgan Stanley and its affiliates agreed to provide us with services, including certain human resources, information technology, accounting, legal and compliance, tax, office space leasing, corporate services, treasury and other services. Payment for these services will be determined, consistent with past practices, using an internal cost allocation methodology based on fully loaded cost (*i.e.*, allocated direct costs of providing the services, plus all related overhead and out-of-pocket costs and expenses).

### ***Public Company Expenses***

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act. All of the procedures and practices required as a majority-owned subsidiary of Morgan Stanley were previously established, but we continue to add procedures and practices required as a public company. As a result, excluding the costs related to our public offerings, we incurred legal, accounting and other expenses during the three and nine months ended August 31, 2008 of \$0.5 million and \$2.9 million, respectively, that we did not incur during the three and nine months ended August 31, 2007.

### ***Founders Grant***

On November 6, 2007, our Board of Directors approved the award of founders grants to our employees in the form of restricted stock units and/or options. The aggregate value of the grants, which were made on November 14,

2007, was approximately \$68.0 million of restricted stock units and options. The restricted stock units and options vest over a four-year period, with 50% vesting on the second anniversary of the grant date and 25% vesting on the third and fourth anniversary of the grant date. The options have an exercise price per share of \$18.00 and have a term of ten years subject to earlier cancellation in certain circumstances. The aggregate value of the options is calculated using the Black-Scholes valuation method.

The pre-tax expense of the founders grant for the three and nine months ended August 31, 2008, was approximately \$6.4 million and \$20.3 million, respectively, prior to any estimated forfeitures. After estimated forfeitures, the pre-tax expense of the founders grant for the three and nine months were \$5.3 million and \$17.0 million, respectively. No expenses related to the founders grant were incurred during the three and nine months ended August 31, 2007. We periodically review our forfeiture estimates and update them as we deem appropriate.

### **Weighted Shares Outstanding**

In November 2007, we completed our initial public offering in which we issued 16.1 million class A common shares. As such, weighted average common shares outstanding for the nine months ended August 31, 2008 includes these additional shares. Weighted average common shares outstanding for the three and nine months ended August 31, 2008 also includes actual shares and restricted stock awards issued to employees and non-employee directors during the period.

### **Credit Facility**

As of August 31, 2008, we had borrowings of \$407.3 million, net of \$1.0 million discount, outstanding under our Credit Facility. As of August 31, 2007, we had \$625.9 million outstanding under a note payable to Morgan Stanley. See "Liquidity and Capital Resources."

### **Business Environment**

Various sectors of the global financial markets have been adversely affected by a current market environment that includes illiquidity and widening credit spreads, unprecedented market volatility, changes in interest rates, inflation, political events, investor participation levels, legal and regulatory, accounting, tax and compliance requirements. In the three and nine months ended August 31, 2008, the conditions in the financial market have impacted our business particularly with respect to our equity index asset based fees due to declines in the value of assets in ETFs linked to our products and our revenues from our equity portfolio analytics products due to the closure of quant portfolio teams among both hedge funds and traditional asset managers.

The vast majority of our business involves the execution of licenses with clients in the financial services industry, including brokers and dealers, asset managers, investment banks, mutual and hedge funds, and other institutional clients. The lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity have had a negative impact on a number of our clients and if current levels of market disruption and volatility continue or worsen, we could, in turn, experience additional negative effects on revenues from subscriptions to our products and fees from investment products linked to our indices.

We do not believe that our liquidity has been affected by the recent events in the global financial markets. See "Liquidity and Capital Resources" below.

### **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 and also in Note 1 in 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. There were no significant changes in our accounting policies or critical accounting estimates since the end of fiscal year 2007.

### **Change in Presentation**

Effective June 1, 2008, we began presenting gains and losses resulting from foreign currency transactions as a component of other expense (income) in accordance with SFAS 52, "Foreign Currency Translation" ("SFAS 52"). Prior to June 1, 2008, we included such gains and losses as components of cost of services and selling, general and administrative. We changed our presentation because foreign currency gains and losses are incidental to the business and not part of day to day operations. Prior period amounts have been reclassified to conform to current period presentation. For the three months ended August 31, 2007, \$72,000 and \$338,000 recorded in cost of services and selling, general and administrative expenses, respectively, was moved to other expense (income). For the nine months ended August 31, 2007, \$65,000 and (\$56,000) recorded in cost of services and selling, general and administrative expenses, respectively, was moved to other expense (income).

### **Liquidity and Capital Resources**

We require capital to fund ongoing operations, internal growth initiatives and acquisitions. Our working capital requirements and funding for capital expenditures, strategic investments and acquisitions were historically part of the corporate-wide cash management program of Morgan Stanley. We are solely responsible for the provision of funds to finance our working capital and other cash requirements.

Our primary sources of liquidity are cash flows generated from our operations, existing cash and cash equivalents and funds available under the Credit Facility. We intend to use these sources of liquidity to service our debt 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.

As fully described in our Form 10-K, under "July 2007 Dividend and Credit Facility" in Part II, Item 7, we paid a dividend of \$973.0 million, consisting of \$325.0 million in cash and \$648.0 million of demand notes, on July 19, 2007. Morgan Stanley was issued a demand note in the amount of \$625.9 million and Capital Group International was issued a demand note in the amount of \$22.1 million. On July 19, 2007, we paid in full in cash the \$22.1 million demand note held by Capital Group International.

On November 14, 2007, we entered into a \$500.0 million Credit Facility with Morgan Stanley Senior Funding, Inc. and Bank of America, N.A. as agents for a syndicate of lenders, and other lenders party thereto. The Credit Facility is comprised of a \$200.0 million term loan A facility, a \$225.0 million term loan B facility, which was





issued at a discount of 0.5% of the principal amount resulting in proceeds of approximately \$223.9 million, and a \$75.0 million revolving credit facility (under which there were no drawings as of August 31, 2008). Outstanding borrowings under the Credit Facility accrue interest at (i) LIBOR plus a fixed margin or (ii) the base rate plus a fixed margin, subject to interest rate step downs based on the achievement of consolidated leverage ratio (as defined in the Credit Facility) conditions.

On November 20, 2007, we borrowed \$425.0 million (the full amount of the term loans) under the Credit Facility and used the proceeds to pay a portion of the \$625.9 million demand note held by Morgan Stanley. The balance of the demand note was paid with the net proceeds from our initial public offering. The revolving credit facility is available for working capital requirements and other general corporate purposes (including the financing of permitted acquisitions), subject to certain conditions, and matures on November 20, 2012.

On April 14, 2008, we met certain conditions as defined in the Credit Facility and qualified for a tier change, resulting in a decrease in the LIBOR fixed margin from 2.50% to 2.25% for the term loan A facility and from 3.00% to 2.75% for the term loan B facility. On July 8, 2008, we qualified for a tier change resulting in a decrease in the LIBOR fixed margin to 2.00% for the term loan A facility and 2.50% for the term loan B facility. During the three months ended August 31, 2008, interest accrued at 4.76% and 5.26% for the two facilities, respectively. On August 29, 2008, the rates were adjusted to 4.81% and 5.31%, respectively, following a LIBOR reset. The term loan A facility and the term loan B facility will mature on November 20, 2012 and November 20, 2014, respectively.

The Credit Facility is guaranteed on a senior secured basis by each of our direct and indirect wholly-owned domestic subsidiaries and secured by a valid and perfected first priority lien and security interest in substantially all of the shares of capital stock of our present and future domestic subsidiaries and up to 65% of the shares of capital stock of our foreign subsidiaries, substantially all of our and our domestic subsidiaries' present and future property and assets and the proceeds thereof. In addition, the Credit Facility contains certain restrictive covenants and requires us and our subsidiaries to achieve specified financial and operating results and maintain compliance with the following financial ratios on a consolidated basis: (1) the maximum total leverage ratio (as defined in the Credit Facility) measured quarterly on a rolling four-quarter basis shall not exceed (a) 3.75:1.0 through November 30, 2009, (b) 3.50:1.0 from December 1, 2009 through November 30, 2010 and (c) 3.25:1.0 thereafter; and (2) the minimum interest coverage ratio (as defined in the Credit Facility) measured quarterly on a rolling four-quarter basis shall be (a) 3.00:1.0 through November 30, 2009, (b) 3.50:1.0 from December 1, 2009 through November 30, 2010 and (c) 4.00:1.0 thereafter.

In addition, the Credit Facility contains the following affirmative covenants, among others: periodic delivery of financial statements, budgets and officer's certificates; payment of other obligations; compliance with laws and regulations; payment of taxes and other material obligations; maintenance of property and insurance; performance of material leases; right of the lenders to inspect property, books and records; notices of defaults and other material events and maintenance of books and records.

Currently, we have \$407.3 million, net of \$1.0 million discount outstanding under our Credit Facility. We have \$75.0 million available under the revolving credit facility. In connection with our Credit Facility, we entered into interest rate swap agreements on February 13, 2008. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Sensitivity" below.

## Cash flows

*Cash and cash equivalents and cash deposited with related parties*

	As of	
	August 31, 2008	November 30, 2007
	(in thousands)	
Cash and cash equivalents	\$ 246,452	\$ 33,818
Cash deposited with related parties	—	137,625
<b>Total</b>	<b>\$ 246,452</b>	<b>\$ 171,443</b>

Cash and cash equivalents were \$246.5 million and \$33.8 million as of August 31, 2008 and November 30, 2007, respectively. This constituted approximately 24.8% of total assets as of August 31, 2008 and 3.7% of total assets as of November 30, 2007. Prior to July 1, 2008, excess cash was deposited with Morgan Stanley and was shown separately on the balance sheet under cash deposited with related parties. Cash deposited with Morgan Stanley was \$137.6 million as of November 30, 2007, representing approximately 15.2% of total assets. Our cash, including cash equivalents and cash deposited with related parties, increased from November 30, 2007, primarily as a result of net cash provided by operations. We believe that our cash flow from operations (including prepaid subscription fees), together with existing cash balances, will be sufficient to meet our cash requirements for capital expenditures and other cash needs for ongoing business operations for the next 12 months and the foreseeable future.

On June 30, 2008, at our instruction, Morgan Stanley transferred our cash held on deposit to us and following the transfer, we deposited the cash predominately with Bank of America.

*Cash provided by operating and investing activities and used in financing activities*

	<b>For the nine months ended</b>	
	<b>August 31, 2008</b>	<b>August 31, 2007</b>
	<b>(in thousands)</b>	
Net cash provided by operating activities	\$ 111,564	\$ 68,356
Net cash provided by investing activities	\$ 118,528	\$ 277,486
Net cash used in financing activities	\$ (17,294)	\$ (347,099)

*Cash flows from operating activities*

Cash flow from operating activities for the nine months ended August 31, 2008 was \$111.6 million compared to \$68.4 million for the prior year. The increase primarily reflects higher net income after adjusting for non-cash founders grant expense and a decrease in net payments made to related parties compared to the same period in 2007.

Our primary uses of cash from operating activities are for payment of cash compensation expenses, office rent, technology costs and services provided by Morgan Stanley. The payment of cash compensation expense is historically at its highest level in the first quarter when we pay discretionary employee compensation related to the previous fiscal year. In the future, we expect to meet all interest obligations on outstanding borrowings under the Credit Facility from cash generated by operations.

*Cash flows from investing activities*

Cash flows from investing activities include cash used for capital expenditures and cash deposited with Morgan Stanley. During the nine months ended August 31, 2008, we had a net cash inflow of \$118.5 million from investing activities primarily due to cash withdrawn from Morgan Stanley of \$137.6 million. Capital expenditures totaled \$19.1 million in the nine months ended August 31, 2008, relating primarily to the purchase of computer equipment and build-out costs of leased office space and data centers as we continue to replace services currently provided by Morgan Stanley. We anticipate funding future capital expenditures with cash balances.

*Cash flows used in financing activities*

Cash flows used in the nine months ended August 31, 2008 in financing activities were \$17.3 million, largely reflecting scheduled repayments on our outstanding long-term debt. Cash flows used in the nine months ended August 31, 2007 in financing activities were \$347.1 million in the prior year related to an outflow for a cash dividend of \$973.0 million partially offset by \$625.9 million received from a note payable to Morgan Stanley.

We do not have any off-balance sheet arrangements as of August 31, 2008.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### ***Foreign Currency Risk***

We have exposures to currency exchange fluctuation risk—revenues from index-linked investment products, such as exchange traded funds, non-U.S. dollar invoiced revenues and non-U.S. dollar operating expenses.

Revenues from equity index-linked asset based fee products represented approximately \$18.3 million and \$56.2 million, or 16.6% and 17.4%, of our operating revenues for the three and nine months ended August 31, 2008, 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, substantially all 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, pounds sterling, Japanese yen and a limited number of other non-U.S. dollar currencies. Approximately \$15.2 million and \$46.2 million, or 13.7% and 14.3% of our revenues for the three and nine months ended August 31, 2008, respectively, are denominated in foreign currencies, of which the majority are in Euros, pounds sterling and Japanese yen.

We are exposed to additional foreign currency risk in certain of our operating costs. Although our expenses are generally in U.S. dollars, some of our expenses are incurred in non-U.S. dollar denominated currencies. Approximately \$19.9 million and \$52.6 million, or 27.3% and 24.1% of our expenses for the three and nine months ended August 31, 2008, respectively, were denominated in foreign currencies, the significant majority of which were denominated in Swiss francs, pounds sterling, Hong Kong dollars, Euros and Japanese yen. Expenses paid in foreign currency may increase as we expand our business outside the U.S. and replace services provided by Morgan Stanley internationally for which we currently pay Morgan Stanley in U.S. dollars.

In addition, a significant number of our senior personnel are compensated in U.S. dollars as opposed to the local currency of their respective locations. This exposes us to employee turnover in periods of U.S. dollar weakness.

The Company has certain balances denominated in currencies other than local functional amounts and when these assets and liabilities were remeasured into their local functional currency, a loss resulted from the devaluation of the value of the functional currency. As a result of these positions, we recognized foreign currency exchange losses of \$3.0 million for both of the three and nine months ended August 31, 2008. These losses on foreign currency exchange were primarily due to the strengthening of the US dollar ("USD") in August. Although the company does not currently hedge the foreign exchange risk of assets and liabilities denominated in currencies other than the functional currency, it is looking to 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 reside.

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 \$246.5 million at August 31, 2008 and \$33.8 million at November 30, 2007. These amounts were held primarily in checking money market accounts in the countries where we maintain banking relationships. Prior to July 1, 2008, the majority of excess cash was deposited with Morgan Stanley. At November 30, 2007, amounts held with Morgan Stanley were \$137.6 million. On our Condensed Consolidated Statement of Financial Position, these amounts are shown as cash deposited with related parties. We

received interest at Morgan Stanley's internal prevailing rates on these funds. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. We believe 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 Credit Facility accrued interest at a variable rate equal to LIBOR plus a fixed margin subject to interest rate step-downs based on the achievement of consolidated leverage ratio conditions (as defined in the Credit Facility.) On July 8, 2008, we met certain conditions as defined in the Credit Facility and qualified for a tier change, resulting in a decrease in the LIBOR fixed margin to 2.00% for the term loan A facility and 2.50% for the term loan B facility. We expect to pay down the Credit Facility with cash generated from our ongoing operations.

On February 13, 2008, we entered into interest rate swap agreements effective through the end of November 2010 for an aggregate notional principal amount of \$251.7 million. By entering into these agreements, we reduced interest rate risk by effectively converting floating-rate debt into fixed-rate debt. This action reduces our risk of incurring higher interest costs in periods of rising interest rates and improves the overall balance between floating and fixed rate debt. The effective fixed rate on the notional principal amount swapped was approximately 5.25% for the three months ended August 31, 2008. On August 31, 2008, the effective fixed rate on the notional principal amount swapped was 5.15%. These swaps are designated as cash flow hedges and qualify for hedge accounting treatment under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Changes in LIBOR will affect the interest rate on the portion of our credit facilities which have not been hedged by the interest rate swaps and, therefore, our costs under the credit facilities. Assuming an average of \$160.0 million of variable rate debt outstanding, a hypothetical 100 basis point increase in LIBOR for a one year period would result in approximately \$1.6 million of additional interest rate expense.

We recorded a pre-tax loss in other comprehensive income of \$1.4 million (\$0.9 million after tax) for the three months ended August 31, 2008 and a pre-tax gain of \$2.2 million (\$1.3 million after tax) for the nine months ended August 31, 2008 as a result of the fair value measurement of these swaps. The fair value of these swaps is included in other accrued liabilities on our Condensed Consolidated Statement of Financial Position.

#### **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") and have concluded that these disclosure controls and procedures are effective as of August 31, 2008. 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.

There were no changes during the three months ended August 31, 2008 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

From time to time we are party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, operating results, financial condition or cash flows.

### Item 1A. Risk Factors

For a discussion of the risk factors affecting the company, see “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended November 30, 2007 as updated by “Risk Factors” in Part II, Item 1A of our Form 10-Q for the quarter ended May 31, 2008.

### 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 shares during the quarter ended August 31, 2008.

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 (June 1, 2008-June 30, 2008) Employee Transactions <sup>(1)</sup>	282	\$36.32	N/A	N/A
Month #2 (July 1, 2008-July 31, 2008) Employee Transactions <sup>(1)</sup>	609	\$30.69	N/A	N/A
Month #3 (August 1, 2008-August 31, 2008) Employee Transactions <sup>(1)</sup>	-	-	-	-
Total Employee Transactions <sup>(1)</sup>	891	\$32.47	N/A	N/A

(1) Includes shares withheld to offset tax withholding obligations that occur upon vesting and delivery of outstanding shares underlying restricted stock units and/or upon the exercise of employee stock options. The value of the shares withheld were valued using the fair market value of the Company’s class A common shares on the date of withholding, using a valuation methodology established by the Company.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

An exhibit index has been filed as part of this Report on page E-1.

**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: October 3, 2008

MSCI INC.  
(Registrant)

By: /s/ Michael K. Neborak  
Michael K. Neborak  
Chief Financial Officer  
(Principal Financial Officer)

## EXHIBIT INDEX

### MSCI INC.

#### QUARTER ENDED AUGUST 31, 2008

- 3.1 Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Form 10-K (File No. 001-33812), filed with the SEC on February 28, 2008)
- 3.2 Amended and Restated By-laws (filed as Exhibit 3.2 to the Company's Form 10-K (File No. 001-33812), filed with the SEC on February 28, 2008)
- 10.1 MSCI Inc. Amended and Restated 2007 Equity Incentive Compensation Plan (filed as Annex B to the Company's Proxy Statement on Schedule 14A (File No. 001-33812), filed with the SEC on February 28, 2008)
- 10.2 MSCI Inc. Performance Formula and Incentive Plan (filed as Annex C to the Company's Proxy Statement on Schedule 14A (File No. 001-33812), filed with the SEC on February 28, 2008)
- \* 10.3 Amended and Restated Shareholder Agreement, dated as of July 21, 2008, between Morgan Stanley and MSCI Inc.
- \* 10.4 Amendment No. 1 to the Intellectual Property Agreement, dated as of July 21, 2008, between Morgan Stanley and MSCI Inc.
- \* 10.5 Amendment No. 1 to the Services Agreement, dated as of July 21, 2008, between Morgan Stanley and MSCI Inc.
- \* 10.6 Amendment No. 1 to the Trademark License Agreement, dated as of July 21, 2008, between Morgan Stanley and MSCI Inc.
- \* 10.7 Asset Purchase Agreement, dated as of July 22, 2008, between Morgan Stanley and MSCI Inc.
- 11 Statement Re: Computation of Earnings Per Common share (The calculation per share earnings is in Part I, Item I, Note 3 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 October 3, 2008, 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

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\* Filed herewith

\*\* Furnished herewith



AMENDED AND RESTATED SHAREHOLDER AGREEMENT

by and between

MORGAN STANLEY

and

MSCI INC.

Dated as of July 21, 2008

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## AMENDED AND RESTATED SHAREHOLDER AGREEMENT

**THIS SHAREHOLDER AGREEMENT** (“**Agreement**”) is entered into as of July 21, 2008 by and between MSCI Inc., a Delaware corporation (“**MSCI**”), and Morgan Stanley, a Delaware corporation (“**Morgan Stanley**”) and amends and restates the Shareholders Agreement dated as of November 20, 2007 between the parties.

### RECITALS

WHEREAS, Morgan Stanley beneficially owns all of the issued and outstanding MSCI Class B Common Stock, par value \$0.01 per share (“**Class B Common Stock**”), and Morgan Stanley holds a majority of the total voting power of the outstanding common stock of MSCI; and

WHEREAS, the parties desire to enter into this Agreement to set forth their agreement regarding (i) Morgan Stanley’s rights to purchase additional shares of Class B Common Stock upon any issuance of capital stock of MSCI to any person in order to allow Morgan Stanley to prevent a Morgan Stanley Vote Ownership Reduction, (ii) Morgan Stanley’s right to designate representatives to the Board of Directors of MSCI, (iii) certain registration rights with respect to Class B Common Stock (and any other securities issued in respect thereof or in exchange therefor) and (iv) certain representations, warranties, covenants and agreements applicable to MSCI so long as it is a subsidiary of Morgan Stanley.

### AGREEMENTS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Morgan Stanley and MSCI, for themselves, their successors and assigns, hereby agree as follows:

#### ARTICLE 1 DEFINITIONS

Section 1.01. *Definitions.* As used in this Agreement, the following terms will have the following meanings, applicable both to the singular and the plural forms of the terms described:

“**Affiliate**” means, with respect to any Person, any Person controlling, controlled by or under common control with such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to vote a majority of the securities having voting power for the election of directors (or other Persons acting in

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similar capacities) of such Person or otherwise 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 ascribed thereto in the preamble hereto, as such agreement may be amended and supplemented from time to time in accordance with its terms.

“**Applicable Stock**” means at any time the MSCI Stock owned by the Morgan Stanley Entities.

“**Blackout Period**” has the meaning ascribed thereto in Section 3.01(a)(iv).

“**Class A Common Stock**” has the meaning ascribed thereto in the recitals to this Agreement.

“**Class B Common Stock**” has the meaning ascribed thereto in the recitals to this Agreement.

“**Class B Common Stock Option**” has the meaning ascribed thereto in Section 2.01.

“**Class B Common Stock Issuance Notice**” has the meaning ascribed thereto in Section 2.02.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Damages**” has the meaning ascribed thereto in Section 3.07.

“**Demand Holder**” has the meaning ascribed thereto in Section 3.01(a).

“**Demand Piggyback**” has the meaning ascribed thereto in Section 3.02(c).

“**Demand Registration**” has the meaning ascribed thereto in Section 3.01(a).

“**e-mail**” has the meaning ascribed thereto in Section 5.06.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, or any successor statute.

“**Holder**” means Morgan Stanley and any Transferee.

“**Indemnified Party**” has the meaning ascribed thereto in Section 3.07(c).

“**Indemnifying Party**” has the meaning ascribed thereto in Section 3.07(c).

“**Issuance Event**” has the meaning ascribed thereto in Section 2.02.

“**Issuance Event Date**” has the meaning ascribed thereto in Section 2.02.

“**Issuance Notice**” has the meaning ascribed thereto in Section 2.02.

“**Market Price**” of any shares of Class A Common Stock on any date means (i) the average of the last sale price of such shares on each of the five trading days immediately preceding such date on the New York Stock Exchange or, if such shares are not quoted thereon, on the principal national securities exchange on which such shares are traded or (ii) if such sale prices are unavailable or such shares are not so traded, the value of such shares on such date determined in accordance with agreed-upon procedures reasonably satisfactory to MSCI and Morgan Stanley.

“**Maximum Offering Size**” means the largest number of shares that can be sold in an offering of Registrable Securities without having an adverse effect on such offering, including the price at which such Registrable Securities can be sold, as determined by a nationally recognized investment banking firm selected, in the case of a Demand Registration, by a Demand Holder and reasonably acceptable to MSCI and, in the case of a Piggyback Registration, selected by MSCI. In the case of an underwritten offering, such investment banking firm shall also serve as the lead underwriter or managing underwriter.

“**Morgan Stanley**” has the meaning ascribed thereto in the preamble hereto.

“**Morgan Stanley Entities**” means Morgan Stanley and its Subsidiaries (excluding MSCI Entities) and “**Morgan Stanley Entity**” means any of the Morgan Stanley Entities.

“**Morgan Stanley Vote Ownership Reduction**” means any decrease at any time in the Vote Ownership Percentage of Morgan Stanley to less than 50.1%.

“**MSCI**” has the meaning ascribed thereto in the preamble hereto.

“**MSCI Entities**” means MSCI and its Subsidiaries and “**MSCI Entity**” shall mean any of the MSCI Entities.

“**MSCI Piggyback**” has the meaning ascribed thereto in Section 3.02(b).

“**MSCI Stock**” means the Class A Common Stock, the Class B Common Stock and any other security of MSCI treated as stock for purposes of Sections 355 and 1504 of the Code.

“**Other Holders**” has the meaning ascribed thereto in Section 3.02(b).

“**Other Securities**” has the meaning ascribed thereto in Section 3.02.

“**Person**” means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, government (and any department or agency thereof) or other entity.

“**Piggyback Registration**” has the meaning ascribed thereto in Section 3.02.

“**Registrable Securities**” means Class B Common Stock and any stock or other securities into which or for which such Class B Common Stock may hereafter be changed, converted or exchanged and any other shares or securities issued to Holders of such Class B Common Stock (or such shares or other securities into which or for which such shares are so changed, converted or exchanged) upon any reclassification, share combination, share subdivision, share dividend, share exchange, merger, consolidation or similar transaction or event. As to any particular Registrable Securities, such Registrable Securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale by the Holder thereof shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (ii) they shall have been sold to the public in accordance with Rule 144, (iii) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by MSCI and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any state securities or blue sky law then in effect or (iv) they shall have ceased to be outstanding.

“**Registration Expenses**” means any and all expenses incident to performance of or compliance with any registration of securities pursuant to Article 3, including, without limitation, (i) the fees, disbursements and expenses of MSCI’s counsel and accountants and the reasonable fees and expenses of one counsel selected by the Holders; (ii) all expenses, including filing fees, in connection with the preparation, printing and filing of the registration statement, any preliminary prospectus or final prospectus, any other offering document and amendments and supplements thereto and the mailing and delivering of copies thereof to any underwriters and dealers; (iii) the cost of printing or producing any agreements among underwriters, underwriting agreements, and blue sky or legal investment memoranda, any selling agreements and any other documents in connection with the offering, sale or delivery of the securities to be disposed of; (iv) all expenses in connection with the qualification of the securities to be disposed of for offering and sale under state securities laws, including the fees and disbursements of counsel for the underwriters or the Holders of securities in connection with such qualification and in connection with any blue sky and legal investment services; (v) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the

securities to be disposed of; (vi) transfer agents' and registrars' fees and expenses and the fees and expenses of any other agent or trustee appointed in connection with such offering; (vii) all security engraving and security printing expenses; (viii) all fees and expenses payable in connection with the listing of the securities on any securities exchange or automated interdealer quotation system or the rating of such securities; (ix) any other fees and disbursements of underwriters customarily paid by the issuers of securities, but excluding underwriting discounts and commissions and transfer taxes, if any; and (x) other reasonable out-of-pocket expenses of Holders other than legal fees and expenses referred to in clause (i) above; *provided, that*, the internal administrative costs of each Holder and MSCI shall not be considered "Registration Expenses".

"**Rule 144**" means Rule 144 (or any successor rule to similar effect) promulgated under the Securities Act.

"**Rule 415 Offering**" means an offering on a delayed or continuous basis pursuant to Rule 415 (or any successor rule to similar effect) promulgated under the Securities Act.

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended, or any successor statute.

"**Selling Holder**" has the meaning ascribed thereto in Section 3.04(e).

"**Subsidiary**" means, as to any Person, any corporation, association, partnership, joint venture or other business entity of which more than 50% of the voting capital stock or other voting ownership interests is owned or controlled directly or indirectly by such Person or by one or more of the Subsidiaries of such Person or by a combination thereof.

"**Tax**" means any tax, governmental fee or other like assessment or charge of any kind whatsoever (including, but not limited to, withholding on amounts paid to or by any Person), together with any interest, penalty, addition to tax or additional amount imposed by any governmental authority responsible for the imposition of any such tax (domestic or foreign), and any liability for any of the foregoing as transferee.

"**Transferee**" has the meaning ascribed thereto in Section 3.09.

"**Vote Ownership Percentage**" means, at any time, the fraction, expressed as a percentage and rounded to the next lowest thousandth of a percent, whose numerator is the aggregate voting power (as determined under Section 355 of the Code) of the Applicable Stock and whose denominator is the aggregate voting power (as determined under Section 355 of the Code) of the then outstanding shares of MSCI Stock.



Section 1.02. *Internal References.* Unless the context indicates otherwise, references to Articles, Sections and paragraphs shall refer to the corresponding articles, sections and paragraphs in this Agreement, and references to the parties shall mean the parties to this Agreement.

ARTICLE 2  
OPTION

Section 2.01. *Class B Common Stock Option.* MSCI hereby grants to Morgan Stanley, on the terms and conditions set forth herein, a continuing right (the “**Class B Common Stock Option**”) to purchase from MSCI, at the times set forth herein, such number of shares of Class B Common Stock as is necessary to allow Morgan Stanley Entities to prevent a Morgan Stanley Vote Ownership Reduction. The Class B Common Stock Option shall be assignable, in whole or in part and from time to time, by Morgan Stanley to any Morgan Stanley Entity. The exercise price for the shares of Class B Common Stock purchased pursuant to the Class B Common Stock Option shall be the Market Price of the Class A Common Stock as of the date of first delivery of notice of exercise of the Class B Common Stock Option by Morgan Stanley (or its permitted assignee hereunder) to MSCI.

Section 2.02. *Notice.* At least 20 business days prior to (xi) any issuance of any shares of MSCI Stock and (xii) each date on which an event could occur that, in the absence of an exercise of the Class B Common Stock Option, would result in a reduction in the Vote Ownership Percentage, MSCI will notify Morgan Stanley in writing (an “**Issuance Notice**”) of any plans it has to issue such shares or the date on which such event could first occur. Each Issuance Notice must specify the date on which MSCI intends to issue such additional shares or on which such event could first occur (such issuance or event being referred to herein as an “**Issuance Event**” and the date of such issuance or event as an “**Issuance Event Date**”), the number of shares MSCI intends to issue or may issue and the other terms and conditions of such Issuance Event.

Section 2.03. *Option Exercise And Payment.* The Class B Common Stock Option may be exercised by Morgan Stanley (or any Morgan Stanley Entity to which all or any part of the Class B Common Stock Option has been assigned) only for such number of shares as are necessary to prevent a Morgan Stanley Vote Ownership Reduction. The Class B Common Stock Option may be exercised (to the extent then exercisable in accordance with its terms) at any time after receipt of an applicable Issuance Notice and prior to the applicable Issuance Event Date by the delivery to MSCI of a written notice to such effect specifying (i) the number of shares of Class B Common Stock to be purchased by Morgan Stanley, or any Morgan Stanley Entity, and (ii) a calculation of the exercise price for such shares. Upon any such exercise of the Class B Common Stock Option, MSCI will, immediately prior to the issuance or event in connection with an Issuance

Event, deliver to Morgan Stanley (or any Morgan Stanley Entity designated by Morgan Stanley), against payment therefor, certificates (issued in the name of Morgan Stanley or its permitted assignee hereunder, or as directed by Morgan Stanley) representing the shares of Class B Common Stock (as the case may be) being purchased upon such exercise. Payment for such shares shall be made by wire transfer or intrabank transfer to such account as shall be specified by MSCI, for the full purchase price for such shares.

Section 2.04. *Termination Of Option.* The Class B Common Stock Option shall terminate upon the occurrence of a Morgan Stanley Vote Ownership Reduction, other than a Morgan Stanley Vote Ownership Reduction resulting from any Issuance Event in violation of this Agreement. Such Option, or any portion thereof assigned to any Morgan Stanley Entity other than Morgan Stanley, also shall terminate in the event that the Person to whom such Option, or such portion thereof has been transferred, ceases to be a Morgan Stanley Entity for any reason whatsoever.

ARTICLE 3  
REGISTRATION RIGHTS

Section 3.01. *Demand Registration - Registrable Securities.* (a) Upon written notice provided at any time from any Holder of Registrable Securities requesting that MSCI effect the registration under the Securities Act of any or all of the Registrable Securities held by such Holder (a "**Demand Holder**"), which notice shall specify the intended method or methods of disposition of such Registrable Securities, MSCI shall use its reasonable best efforts to effect the registration under the Securities Act and applicable state securities laws of such Registrable Securities for disposition in accordance with the intended method or methods of disposition stated in such request (including in a Rule 415 Offering, if MSCI is then eligible to register such Registrable Securities on Form S-3 (or a successor form) for such offering) (a "**Demand Registration**"); *provided, that:*

(i) the Holders of Registrable Securities may collectively exercise their rights to a Demand Registration on not more than five occasions;

(ii) the Holders of Registrable Securities shall not, without MSCI's consent, exercise their rights to a Demand Registration within the six-month period following any registration and sale of Registrable Securities effected pursuant to a prior exercise of rights to a Demand Registration; *provided* that this clause (ii) shall not be applicable to any Demand Registration requested by Morgan Stanley within six-months of the date hereof;

(iii) the rights to effect a Demand Registration shall terminate on the tenth anniversary of the date of this Agreement; and

(iv) if the board of directors of MSCI determines in good faith that a Demand Registration (A) would materially impede, delay, interfere with or otherwise materially adversely affect any pending financing, registration of securities by MSCI in a primary offering for its own account, acquisition, corporate reorganization or other significant transaction involving MSCI or (B) would require disclosure of non-public material information that MSCI has a *bona fide* business purpose for preserving as confidential, MSCI shall be entitled to defer the filing or effectiveness of a registration statement, or to suspend the use of an effective registration statement, for the shortest period of time reasonably required (each such period, a “**Blackout Period**”); *provided, that*, MSCI shall not be entitled to invoke Blackout Periods for more than an aggregate of sixty (60) days in any 12-month period. MSCI shall notify each Holder of the expiration or earlier termination of a Blackout Period and, as soon as reasonably practicable after such expiration or termination, shall amend or supplement any effective registration statement to the extent necessary to permit the Holders to resume the use thereof in connection with the offer and sale of their Registrable Securities in accordance with applicable law.

(b) Notwithstanding any other provision of this Agreement to the contrary, a Demand Registration shall not be deemed to have been effected if no Registrable Securities are sold under the registration statement (and, therefore, not requested for purposes of paragraph (a) above).

(c) In the event that a Demand Registration shall involve, in whole or in part, an underwritten offering, the Demand Holder shall have the right to designate an underwriter or underwriters as the lead or managing underwriters of such underwritten offering reasonably acceptable to MSCI (and MSCI hereby acknowledges that Morgan Stanley & Co. Incorporated is reasonably acceptable) and, in connection with each Demand Registration, the Demand Holder may select one counsel to represent all Holders participating in such offering.

(d) MSCI shall have the right to cause the registration of additional equity securities for sale for the account of any Person (including, without limitation, MSCI and any existing or former directors, officers or employees of the MSCI Entities) in any Demand Registration; *provided, that*, if the Demand Holder is advised in writing (with a copy to MSCI) that the inclusion of such additional equity securities in such registration would be likely to exceed the Maximum Offering Size, the registration of such additional equity securities or part thereof shall not be permitted.

(e) The Demand Holder may require that any such additional equity securities described in Section 3.01(d) be included on the same conditions as the Registrable Securities of the Demand Holder to be included therein.

(f) If the Demand Holder believes that the aggregate number of Registrable Securities requested to be included in a Demand Registration would be likely to exceed the Maximum Offering Size, the Demand Holder may request a determination of the Maximum Offering Size. In the event that the Maximum Offering Size is determined to be less than the aggregate number of Registrable Securities requested to be included in such offering, the number of Registrable Securities to be included in the registration statement shall be reduced to the Maximum Offering Size and the number of Registrable Securities in excess of the amount requested by the Demand Holder, if any, shall be allocated *pro rata* among the other Holders requesting to be included in such offering on the basis of the relative number of Registrable Securities then held by each such Holder; *provided, that*, any number in excess of a Holder's request may be reallocated among the remaining requesting Holders in a like manner.

Section 3.02. *Piggyback Registration.* In the event that MSCI at any time proposes to register any of its Common Stock, any other of its equity securities or securities convertible into or exchangeable for its equity securities (collectively, including Common Stock, "**Other Securities**") under the Securities Act, whether or not for sale for its own account, in a manner that would permit registration of Registrable Securities for sale for cash to the public under the Securities Act, it shall at each such time give, at least 30 days prior to the anticipated filing date of the registration statement relating to such registration, written notice to each Holder of Registrable Securities of its intention to do so and of the rights of such Holder under this Section 3.02. Subject to the terms and conditions hereof, such notice shall offer each such Holder the opportunity to include in such registration statement such number of Registrable Securities as such Holder may request (a "**Piggyback Registration**"). Upon the written request of any such Holder made within 15 days after the receipt of MSCI's notice (which request shall specify the number of Registrable Securities intended to be disposed of and the intended method of disposition thereof), MSCI shall use its reasonable best efforts to effect, in connection with the registration of the Other Securities, the registration under the Securities Act of all Registrable Securities which MSCI has been so requested to register, to the extent required to permit the Piggyback Registration; *provided, that*:

(a) if, at any time after giving such written notice of its intention to register any Other Securities and prior to the effective date of the registration statement filed in connection with such registration, MSCI shall determine for any reason not to register the Other Securities, MSCI may, at its election, give written notice of such determination to such Holders and thereupon MSCI shall be relieved of its obligation to register such Registrable Securities in connection with the registration of such Other Securities; *provided, that*, such determination by

MSCI shall not prejudice the rights of the Holders of Registrable Securities to immediately request a Demand Registration in accordance with Section 3.01;

(b) if the registration referred to in the first sentence of this Section 3.02 is to be an underwritten registration on behalf of MSCI (an “**MSCI Piggyback**”) and MSCI is advised in writing that the inclusion of all or a part of such Registrable Securities in such registration would be likely to exceed the Maximum Offering Size, MSCI shall include in such registration: (i) *first*, all Other Securities MSCI proposes to sell for its own account and (ii) *second*, the number of securities (including Registrable Securities) that such underwriters advise can be so sold without adversely affecting such offering, allocated *pro rata* among the holders, other than MSCI, of Other Securities (the “**Other Holders**”) and the Holders of Registrable Securities on the basis of the number of securities requested in accordance with this Section 3.02 to be included therein by each Other Holder and each Holder of Registrable Securities; *provided, that*, in the event that the Maximum Offering Size is less than all of such Registrable Securities requested to be included in such offering, any Morgan Stanley Entity may withdraw its request for a Piggyback Registration and 90 days subsequent to the effective date of the registration statement for the registration of such Other Securities request a Demand Registration in accordance with Section 3.01;

(c) if the registration referred to in the first sentence of this Section 3.02 is to be an underwritten secondary registration on behalf of Other Holders (a “**Demand Piggyback**”) and MSCI is advised in writing that the inclusion of such additional securities in such registration would be likely to exceed the Maximum Offering Size, MSCI shall include in such registration the number of additional securities (including Registrable Securities) that such underwriters advise can be so sold without adversely affecting such offering, allocated *pro rata* among the Other Holders and the Holders of Registrable Securities on the basis of the number of securities (including Registrable Securities) requested in accordance with this Section 3.02 to be included therein by each Other Holder and each Holder of Registrable Securities; *provided, that*, in the event that the Maximum Offering Size is less than all of such Registrable Securities requested to be included in such offering, any Morgan Stanley Entity may withdraw its request for a Piggyback Registration and 90 days subsequent to the effective date of the registration statement for the registration of such Other Securities request a Demand Registration in accordance with Section 3.01;

(d) MSCI shall not be required to effect a Piggyback Registration incidental to the registration of any of its securities in connection with mergers, acquisitions, exchange offers, subscription offers, dividend reinvestment plans or stock option or other executive or employee benefit or compensation plans;

(e) no registration of Registrable Securities effected under this Section 3.02 shall relieve MSCI of its obligation to effect a Demand Registration; and

- (f) the right to effect a Piggyback Registration shall terminate on the tenth anniversary of this Agreement.

Section 3.03. *Expenses.* (a) In the case of a Demand Registration,

- (i) MSCI shall pay all Registration Expenses until and including the second occasion upon which a request for a Demand Registration shall have resulted in the sale of Registrable Securities under a registration statement; and

- (ii) the requesting Holders shall pay all Registration Expenses arising in connection with any request for a Demand Registration thereafter.

- (b) In the case of a Demand Piggyback, each Holder of Registrable Securities exercising its rights to effect a Piggyback Registration shall be responsible for a *pro rata* portion of the Registration Expenses, based on the number of Registrable Securities included therein by such Holder in proportion to the total number of securities included in such registration.

- (c) In the case of an MSCI Piggyback, MSCI shall pay all Registration Expenses.

Section 3.04. *Registration And Qualification.* If and whenever MSCI is required to effect a Demand Registration or a Piggyback Registration, MSCI shall as promptly as practicable:

- (a) prepare, file and use its reasonable best efforts to cause to become effective a registration statement under the Securities Act relating to the Registrable Securities to be offered;

- (b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities until the earlier of (i) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition set forth in such registration statement and (ii) the expiration of the 90-day period after such registration statement becomes effective; *provided, that*, such 90-day period shall be extended for such number of days that equals the number of days elapsing from (x) the date the written notice contemplated by paragraph (f) below is given by MSCI to (y) the date on which MSCI delivers to the Holders of Registrable Securities the supplement or amendment contemplated by paragraph (f) below;

- (c) furnish to the Holders of Registrable Securities and to any underwriter of such Registrable Securities such number of conformed copies of

such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus), in conformity with the requirements of the Securities Act, such documents incorporated by reference in such registration statement or prospectus, and such other documents, as the Holders of Registrable Securities or such underwriter may reasonably request, and a copy of any and all transmittal letters or other correspondence to or received from, the SEC or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering;

(d) use its reasonable best efforts to register or qualify all Registrable Securities covered by such registration statement under the securities or blue sky laws of such jurisdictions as the Holders of such Registrable Securities or any underwriter to such Registrable Securities shall request, and use its reasonable best efforts to obtain all appropriate registrations, permits and consents in connection therewith, and do any and all other acts and things which may be necessary or advisable to enable the Holders of Registrable Securities or any such underwriter to consummate the disposition in such jurisdictions of its Registrable Securities covered by such registration statement; *provided, that*, MSCI shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any such jurisdiction wherein it is not so qualified or to consent to general service of process in any such jurisdiction;

(e) (i) use its reasonable best efforts to furnish to each Holder of Registrable Securities included in such registration (each, a “**Selling Holder**”) and to any underwriter of such Registrable Securities an opinion of counsel for MSCI addressed to each Selling Holder and dated the date of the closing under the underwriting agreement (if any) (or if such offering is not underwritten, dated the effective date of the registration statement), and (i) use its reasonable best efforts to furnish to each Selling Holder a “cold comfort” letter addressed to each Selling Holder and signed by the independent public accountants who have audited the financial statements of MSCI included in such registration statement, in each such case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) as are customarily covered in opinions of issuer’s counsel and in accountants’ letters delivered to underwriters in underwritten public offerings of securities and such other matters as the Selling Holders may reasonably request and, in the case of such accountants’ letter, with respect to events subsequent to the date of such financial statements;

(f) as promptly as practicable, notify the Selling Holders in writing (i) at any time when a prospectus relating to a registration pursuant to a Demand Registration or Piggyback Registration is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an

untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) of any request by the SEC or any other regulatory body or other body having jurisdiction for any amendment of or supplement to any registration statement or other document relating to such offering, and in either such case, at the request of the Selling Holders prepare and furnish to the Selling Holders a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading;

(g) if reasonably requested by the lead or managing underwriters, use its reasonable best efforts to list all such Registrable Securities covered by such registration on each securities exchange on which the Class A Common Stock of MSCI is then listed;

(h) to the extent reasonably requested by the lead or managing underwriters, send appropriate officers of MSCI to attend any "road shows" scheduled in connection with any such registration, with all out-of-pocket costs and expense incurred by MSCI or such officers in connection with such attendance to be paid by MSCI; and

(i) so long as the board of directors of MSCI shall not have provided by resolution or resolutions that all or some of all classes or series of the stock of MSCI shall be represented by uncertificated shares, furnish for delivery in connection with the closing of any offering of Registrable Securities pursuant to a Demand Registration or Piggyback Registration unlegended certificates representing ownership of the Registrable Securities being sold in such denominations as shall be requested by the Selling Holders or the underwriters.

Section 3.05. *Conversion Of Other Securities, Etc.* Subject to any limitations in Section 3.09, in the event that any Holder offers any options, rights, warrants or other securities issued by it or any other Person that are offered with, convertible into or exercisable or exchangeable for any Registrable Securities, the Registrable Securities underlying such options, rights, warrants or other securities shall continue to be eligible for Demand Registration or Piggyback Registration.

Section 3.06. *Underwriting; Due Diligence.* (a) If requested by the underwriters for any underwritten offering of Registrable Securities pursuant to a Demand Registration or Piggyback Registration, MSCI shall enter into an underwriting agreement with such underwriters for such offering, which agreement will contain such representations and warranties by MSCI and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation,



indemnification and contribution provisions substantially to the effect and to the extent provided in Section 3.07, and agreements as to the provision of opinions of counsel and accountants' letters to the effect and to the extent provided in Section 3.04(e). The Selling Holders on whose behalf the Registrable Securities are to be distributed by such underwriters shall be parties to any such underwriting agreement and the representations and warranties by, and the other agreements on the part of, MSCI to and for the benefit of such underwriters, shall also be made to and for the benefit of such Selling Holders. Such underwriting agreement shall also contain such representations and warranties by such Selling Holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnification and contribution provisions substantially to the effect and to the extent provided in Section 3.07.

(b) In connection with the preparation and filing of each registration statement registering Registrable Securities under the Securities Act pursuant to this Article 3, MSCI shall give the Holders of such Registrable Securities and the underwriters, if any, and their respective counsel and accountants, such reasonable and customary access to its books and records and such opportunities to discuss the business of MSCI with its officers and the independent public accountants who have certified the financial statements of MSCI as shall be necessary, in the opinion of such Holders and such underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act; *provided, that*, such Holders and the underwriters and their respective counsel and accountants shall use their reasonable best efforts to coordinate any such investigation of the books and records of MSCI and any such discussions with MSCI's officers and accountants so that all such investigations occur at the same time and all such discussions occur at the same time.

Section 3.07. *Indemnification And Contribution.* (a) In the case of each offering of Registrable Securities made pursuant to this Article 3, MSCI agrees to indemnify and hold harmless, to the extent permitted by law, each Selling Holder, each underwriter of Registrable Securities so offered and each Person, if any, who controls any of the foregoing Persons within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and the officers, directors, affiliates, employees and agents of each of the foregoing, against any and all losses, liabilities, costs (including reasonable expenses of investigation and reasonable attorney's fees and expenses), claims and damages, joint or several, to which they or any of them may become subject, under the Securities Act or otherwise, including any amount paid in settlement of any litigation commenced or threatened ("**Damages**"), insofar as such Damages (or actions or proceedings in respect thereof, whether or not such indemnified Person is a party thereto) arise out of or are based upon any untrue statement by MSCI or alleged untrue statement by MSCI of a material fact contained in the registration statement (or in any preliminary or final prospectus included therein) or in any offering memorandum or other offering document relating to the offering and sale

of such Registrable Securities prepared by MSCI or at its direction, or any amendment thereof or supplement thereto, or in any document incorporated by reference therein, or any omission by MSCI or alleged omission by MSCI to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, that*, MSCI shall not be liable to any Person in any such case to the extent that any such Damages arise out of or relates to any untrue statement or alleged untrue statement, or any omission, if such statement or omission shall have been made in reliance upon and in conformity with information relating to a Selling Holder or another holder of securities included in such registration statement furnished to MSCI by or on behalf of such Selling Holder, other holder or underwriter, as the case may be, specifically for use in the registration statement (or in any preliminary or final prospectus included therein), offering memorandum or other offering document, or any amendment thereof or supplement thereto. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any Selling Holder or any other holder and shall survive the transfer of such securities. The foregoing indemnity agreement is in addition to any liability that MSCI may otherwise have to each Selling Holder, other holder or underwriter of the Registrable Securities or any controlling person of the foregoing and the officers, directors, affiliates, employees and agents of each of the foregoing; *provided, further*, that, in the case of an offering with respect to which a Selling Holder has designated the lead or managing underwriters (or a Selling Holder is offering Registrable Securities directly, without an underwriter), this indemnity does not apply to any Damages arising out of or relating to any untrue statement or alleged untrue statement or omission or alleged omission in any preliminary prospectus or offering memorandum if a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) or offering memorandum was not sent or given by or on behalf of any underwriter (or such Selling Holder or other holder, as the case may be) to such Person asserting such Damages at or prior to the written confirmation of the sale of the Registrable Securities as required by the Securities Act and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) or offering memorandum would have cured the defect giving rise to such Damages.

(b) In the case of each offering made pursuant to this Agreement, each Selling Holder, by exercising its registration rights hereunder, agrees to indemnify and hold harmless, and to cause each underwriter of Registrable Securities included in such offering (in the same manner and to the same extent as set forth in Section 3.07(a)) to agree to indemnify and hold harmless, MSCI, each other underwriter who participates in such offering, each other Selling Holder or other holder with securities included in such offering and in the case of an underwriter, such Selling Holder or other holder, and each Person, if any, who controls any of the foregoing within the meaning of the Securities Act and the officers, directors, affiliates, employees and agents of each of the foregoing, against any and all Damages to which they or any of them may become subject, under the Securities Act or otherwise, including any amount paid in settlement of any litigation

commenced or threatened, insofar as such Damages (or actions or proceedings in respect thereof, whether or not such indemnified Person is a party thereto) arise out of or are based upon any untrue statement or alleged untrue statement by such Selling Holder or underwriter, as the case may be, of a material fact contained in the registration statement (or in any preliminary or final prospectus included therein) or in any offering memorandum or other offering document relating to the offering and sale of such Registrable Securities prepared by MSCI or at its direction, or any amendment thereof or supplement thereto, or any omission by such Selling Holder or underwriter, as the case may be, or alleged omission by such Selling Holder or underwriter, as the case may be, of a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that such untrue statement of a material fact is contained in, or such material fact is omitted from, information relating to such Selling Holder or underwriter, as the case may be, furnished to MSCI by or on behalf of such Selling Holder or underwriter, as the case may be, specifically for use in such registration statement (or in any preliminary or final prospectus included therein), offering memorandum or other offering document. The foregoing indemnity is in addition to any liability which such Selling Holder or underwriter, as the case may be, may otherwise have to MSCI, or controlling persons and the officers, directors, affiliates, employees, and agents of each of the foregoing; *provided, that*, in the case of an offering made pursuant to this Agreement with respect to which MSCI has designated the lead or managing underwriters (or MSCI is offering securities directly, without an underwriter), this indemnity does not apply to any Damages arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission in any preliminary prospectus or offering memorandum if a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) or offering memorandum was not sent or given by or on behalf of any underwriter (or MSCI, as the case may be) to such Person asserting such Damages at or prior to the written confirmation of the sale of the Registrable Securities as required by the Securities Act and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) or offering memorandum would have cured the defect giving rise to such Damages.

(c) If any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to paragraph (a) or (b), such Person (an “**Indemnified Party**”) shall promptly notify the Person against whom such indemnity may be sought (the “**Indemnifying Party**”) in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; *provided, that*, the failure of any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure to notify. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the

expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) in the reasonable judgment of such Indemnified Party representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that, in connection with any proceeding or related proceedings in the same jurisdiction, the Indemnifying Party shall not be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. Without the prior written consent of the Indemnified Party, no Indemnifying Party shall effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding.

(d) If the indemnification provided for in this Section 3.07 is unavailable to the Indemnified Parties in respect of any Damages, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Damages (i) as between MSCI and the Selling Holders on the one hand and the underwriters on the other, in such proportion as is appropriate to reflect the relative benefits received by MSCI and such Selling Holders on the one hand and the underwriters on the other, from the offering of the Registrable Securities, or if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of MSCI and such Selling Holders on the one hand and of such underwriters on the other in connection with the statements or omissions that resulted in such Damages, as well as any other relevant equitable considerations and (ii) as between MSCI on the one hand and each such Selling Holders on the other, in such proportion as is appropriate to reflect the relative fault of MSCI and of each such Selling Holder in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by MSCI and such Selling Holders on the one hand and such underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by MSCI and such Selling Holders bear to the total underwriting discounts and commissions received by such underwriters, in each case as set forth in the table on the cover page of the prospectus or offering

memorandum. The relative fault of MSCI and such Selling Holders on the one hand and of such underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by MSCI and such Selling Holders or by such underwriters. The relative fault of MSCI on the one hand and of each such Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

MSCI and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 3.07 were determined by *pro rata* allocation (even if the underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the Damages referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3.07, no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any Damages that such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no Shareholder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Shareholder were offered to the public (less underwriters' discounts and commissions) exceeds the amount of any Damages that such Shareholder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Each Selling Holder's obligation to contribute pursuant to this Section 3.07 is several in the proportion that the proceeds of the offering received by such Selling Holder bears to the total proceeds of the offering received by all such Selling Holders and not joint.

(e) Indemnification and contribution similar to that specified in the preceding paragraphs of this Section 3.07 (with appropriate modifications) shall be given by MSCI, the Selling Holders and underwriters with respect to any required registration or other qualification of securities under any state law or regulation or governmental authority.

(f) The obligations of the parties under this Section 3.07 shall be in addition to any liability which any party may otherwise have to any other party.

Section 3.08. *Rule 144 And Form S-3.* MSCI shall use its reasonable best efforts to ensure that the conditions to the availability of Rule 144 set forth in paragraph (c) thereof shall be satisfied. Upon the request of any Holder of Registrable Securities, MSCI will deliver to such Holder a written statement as to whether it has complied with such requirements. MSCI further agrees to use its reasonable best efforts to cause all conditions to the availability of Form S-3 (or any successor form) under the Securities Act of the filing of registration statements under this Agreement to be met. Notwithstanding anything contained in this Section 3.08, MSCI may deregister under Section 12 of the Exchange Act if it then is permitted to do so pursuant to the Exchange Act and the rules and regulations thereunder.

Section 3.09. *Transfer Of Registration Rights.* Subject to the limitations set forth in Section 3.01(a), any Holder may transfer all or any portion of its rights under this Article 3 to any transferee of a number of Registrable Securities owned by such Holder exceeding three percent (3%) of the outstanding class or series of such securities at the time of transfer (each transferee that receives such minimum number of Registrable Securities, a “**Transferee**”). Any transfer of registration rights pursuant to this Section 3.09 shall be effective upon receipt by MSCI of (i) written notice from such Holder stating the name and address of any Transferee and identifying the number of Registrable Securities with respect to which the rights under this Agreement are being transferred and the nature of the rights so transferred and (ii) a written agreement from such Transferee to be bound by the terms of this Article 3 and Sections 5.03, 5.04, 5.09, 5.11 and 5.12 of this Agreement. The Holders may exercise their rights hereunder in such priority as they shall agree upon among themselves.

Section 3.10. *Holdback Agreement.* If any registration pursuant to this Article 3 shall be in connection with an underwritten public offering of Registrable Securities, each Selling Holder agrees not to effect any public sale or distribution, including any sale under Rule 144, of any equity security of MSCI (otherwise than through the registered public offering then being made), within 7 days prior to or 90 days (or such lesser period as the lead or managing underwriters may permit) after the effective date of the registration statement (or the commencement of the offering to the public of such Registrable Securities in the case of Rule 415 offerings). MSCI hereby also so agrees and agrees to cause each other holder of equity securities or securities convertible into or exchangeable or exercisable for such securities (other than in the case of equity securities, under dividend reinvestment plans or employee stock plans) purchased from MSCI otherwise than in a public offering to so agree.

Section 3.11. *Agency Prospectus.* (a) From time to time upon request by Morgan Stanley in connection with any public or registered offering of securities by MSCI or any other Person of any MSCI Stock, MSCI shall prepare

and file with the SEC under the Securities Act a registration statement and an “agency prospectus” or other related document to the extent necessary or desirable to permit Morgan Stanley to effect agency transactions by Morgan Stanley & Co. Incorporated in MSCI Stock.

(b) MSCI shall pay all Registration Expenses relating to the preparation and filing of such registration statement and agency prospectus.

(c) MSCI hereby agrees that its indemnification and contribution obligations under Section 3.07 shall apply, *mutatis mutandis*, to paragraphs (a) and (b) above, as if set forth in this Section 3.11.

ARTICLE 4  
CERTAIN COVENANTS AND AGREEMENTS

Section 4.01. *No Violations.* (a) Prior to the occurrence of any Morgan Stanley Vote Ownership Reduction, MSCI covenants and agrees that it will not take any action or enter into any commitment or agreement which, to the knowledge of MSCI, may reasonably be anticipated to result, with or without notice and with or without lapse of time or otherwise, in a contravention or event of default by any Morgan Stanley Entity of (i) any provisions of applicable law or regulation, including but not limited to provisions pertaining to the Code or the Employee Retirement Income Security Act of 1974, as amended, (ii) any provision of Morgan Stanley’s certificate of incorporation or bylaws, (iii) any credit agreement or other material instrument binding upon Morgan Stanley, or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over Morgan Stanley or any of their respective assets.

(b) MSCI and Morgan Stanley agree to provide to the other any information and documentation requested by the other for the purpose of evaluating and ensuring compliance with Section 4.01(a) hereof.

(c) Notwithstanding the foregoing Sections 4.01(a) and 4.01(b), nothing in this Agreement is intended to limit or restrict in any way the ability of Morgan Stanley to effect, restrict or limit any action or proposed action of MSCI, including, but not limited to, the incurrence by MSCI of indebtedness, based upon Morgan Stanley’s internal policies or other factors.

Section 4.02. *Additional Undertakings.* (a) From time to time, if requested by MSCI, Morgan Stanley will provide in writing to MSCI notice of the amount of its aggregate ownership of MSCI Stock.

(b) At any time prior to the Morgan Stanley Vote Ownership Reduction, MSCI will not take any action, including the redemption or repurchase of any MSCI Stock, that has the direct or indirect effect of causing Morgan Stanley’s

ownership of MSCI Stock to have a Vote Ownership Percentage of less than 50.1% without the prior written approval of Morgan Stanley.

Section 4.03. *Composition Of The Board.* (a) Prior to a Morgan Stanley Vote Ownership Reduction, Morgan Stanley shall have the right to fill any vacancies on the Board of Directors resulting from any death, disability, retirement, resignation, removal or otherwise and to cause the Board of Directors to increase the size of the Board as specified by Morgan Stanley and fill such newly-created directorships. MSCI and the Board of Directors agrees to take any and all actions necessary to implement the foregoing. If there is a vacancy or newly-created directorship on the Board and an individual has been nominated to fill such vacancy or newly-created directorship, the first order of business shall be to fill such vacancy or newly-created directorship.

(b) After a Morgan Stanley Vote Ownership Reduction and for so long as Morgan Stanley beneficially owns not less than 10% of the outstanding MSCI Stock, Morgan Stanley shall have the right to designate up to two representatives to act as Directors on the Board of Directors. MSCI and the Board of Directors agrees to take any and all actions necessary to implement the foregoing.

(c) MSCI and the Board of Directors agree to take any and all actions necessary to ensure that the certificate of incorporation and bylaws of MSCI facilitate, and do not at any time conflict with, any provision of this Agreement. In the event of any conflict between the provisions of this Agreement and any provision of the bylaws of MSCI, the provisions of this Agreement shall control.

ARTICLE 5  
MISCELLANEOUS

Section 5.01. *Indemnification.* MSCI agrees to indemnify Morgan Stanley, its Affiliates and their respective successors and assigns against, and agrees to hold each of them harmless from, any and all damage, loss, liability, expense (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding, whether involving a third party claim or a claim solely between the parties hereto) incurred or suffered by Morgan Stanley, any Affiliate of Morgan Stanley or any of their respective successors and assignees arising out of any misrepresentation or breach of warranty or breach of covenant (including, without limitation, Section 4.02) or agreement made or to be performed by MSCI pursuant to this Agreement. Any indemnification payment required to be paid by MSCI to Morgan Stanley under this Section 5.01 shall be increased by an amount (as reasonably determined by Morgan Stanley) equal to any Taxes (including Taxes on such increased amount) Morgan Stanley is required to pay (which amount shall not be reduced by any Tax asset or Tax attribute available to Morgan Stanley) as a result of receiving such indemnification payment. Morgan Stanley will provide MSCI with a brief summary describing how such amount was calculated.



Section 5.02. *Subsidiaries.* Morgan Stanley agrees and acknowledges that Morgan Stanley shall be responsible for the performance by each Morgan Stanley Entity of the obligations hereunder applicable to such Morgan Stanley Entity.

Section 5.03. *Amendments.* This Agreement may not be amended or terminated orally, but only by a writing duly executed by or on behalf of the parties hereto. Any such amendment shall be validly and sufficiently authorized for purposes of this Agreement if it is signed on behalf of Morgan Stanley and MSCI by any of their respective officers.

Section 5.04. *Term.* This Agreement shall remain in effect until all Registrable Securities held by Holders have been transferred by them to Persons other than Transferees; *provided that*, the provisions of Section 3.07 shall survive any such expiration.

Section 5.05. *Severability.* If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable to any extent, the remainder of this Agreement or such provision of the application of such provision to such party or circumstances, other than those to which it is so determined to be invalid, illegal or unenforceable, shall remain in full force and effect to the fullest extent permitted by law and shall not be affected thereby, unless such a construction would be unreasonable.

Section 5.06. *Notices.* All notices and other communications required or permitted hereunder shall be in writing, shall be deemed duly given upon actual receipt, and shall be delivered (a) in person, (b) by registered or certified mail, postage prepaid, return receipt requested, (c) by facsimile or (d) by electronic mail transmission (“**e-mail**”) (if agreed to by the parties and to recipients designated by each party), addressed as follows:

(a) If to MSCI, to:

MSCI Inc.  
88 Pine Street  
New York, NY 10005  
Attention: Frederick W. Bogdan, General Counsel  
Fax: (212) 804-2906

(b) If to Morgan Stanley, to:

Morgan Stanley  
1585 Broadway  
New York, NY 10036  
Attention: Martin M. Cohen, Director of Company Law  
Fax: (212) 507-3334

or to such other addresses or telecopy numbers as may be specified by like notice to the other parties.

Section 5.07. *Further Assurances.* Morgan Stanley and MSCI shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Agreement and under any exhibit, document or other instrument delivered pursuant hereto.

Section 5.08. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same agreement.

Section 5.09. *Governing Law.* This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the internal laws of the State of New York.

Section 5.10. *Jurisdiction.* The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient

forum. Process in any such suit, action or proceeding may be served on a party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 5.06 shall be deemed effective service of process on such party. MSCI is registered to do business in the State of New York as NY MSCI.

Section 5.11. *Entire Agreement.* This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof.

Section 5.12. *Successors.* This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns. Nothing contained in this Agreement, express or implied, is intended to confer upon any other person or entity any benefits, rights or remedies.

Section 5.13. *Specific Performance.* The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that they shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction in the United States or any state thereof, in addition to any other remedy to which they may be entitled at law or equity.

*[Remainder of this page is intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

MSCI INC.

By: /s/ Henry A. Fernandez  
Name: Henry A. Fernandez  
Title: Chief Executive Officer, President and  
Chairman

MORGAN STANLEY

By: /s/ Colm Kelleher  
Name: Colm Kelleher  
Title: Chief Financial Officer

AMENDMENT NO. 1 TO INTELLECTUAL PROPERTY AGREEMENT

This Amendment No. 1 to Intellectual Property Agreement (this "**Amendment**") is entered into as of July 21, 2008 by and between Morgan Stanley, a Delaware corporation ("**Morgan Stanley**") and MSCI Inc., a Delaware corporation ("**MSCI**").

**RECITALS**

WHEREAS, Morgan Stanley and MSCI are parties to an Intellectual Property Agreement dated as of November 20, 2007 ("**IP Agreement**") pursuant to which Morgan Stanley and MSCI grant each other certain licenses with respect to certain intellectual property; and

WHEREAS, in accordance with Section 6.6 of the IP Agreement, Morgan Stanley and MSCI wish to amend the IP Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Morgan Stanley and MSCI, for themselves, their successors and permitted assigns, hereby agree as follows:

Section 1. *Defined Terms; References.* (a) Unless otherwise defined herein, all capitalized terms used herein shall have the meaning given to those terms in the IP Agreement. Each reference to "hereof", "hereunder", "herein", and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the IP Agreement shall, after this Amendment becomes effective, refer to the IP Agreement as amended hereby.

Section 2. *Trigger Date.* The definition of "Trigger Date" in Section 1.1(e) of the IP Agreement is amended to read in its entirety as follows:

"Trigger Date" means the date upon which Morgan Stanley shall cease to own greater than 50% of the total voting power to elect directors of MSCI.

Section 3. *Continuation of IP Agreement.* Except as otherwise modified by this Amendment, all of the other terms and provisions of the IP Agreement shall continue in full force and effect.

Section 4. *Governing Law.* This Amendment shall be construed in accordance with and governed by the law of the State of New York, without regard to the conflicts of laws rules thereof.

Section 5. *Effectiveness.* This Amendment shall become effective as of the date hereof.

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Section 6. *Counterparts*. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one agreement.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

**MORGAN STANLEY**

By: /s/ Martin M. Cohen  
Name: Martin M. Cohen  
Title: Vice President and Counsel

**MSCI INC.**

By: /s/ Henry A. Fernandez  
Name: Henry A. Fernandez  
Title: Chief Executive Officer, President and Chairman

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AMENDMENT NO. 1 TO SERVICES AGREEMENT

This Amendment No. 1 to Services Agreement (this "**Amendment**") is entered into as of July 21, 2008 by and between Morgan Stanley, a Delaware corporation ("**Morgan Stanley**") and MSCI Inc., a Delaware corporation ("**MSCI**").

**RECITALS**

WHEREAS, Morgan Stanley and MSCI are parties to a Services Agreement dated as of November 20, 2007 ("**Services Agreement**") pursuant to which Morgan Stanley provides certain services to the MSCI Group; and

WHEREAS, in accordance with Section 8.12 of the Services Agreement, Morgan Stanley and MSCI wish to amend the Services Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Morgan Stanley and MSCI, for themselves, their successors and permitted assigns, hereby agree as follows:

Section 1. *Defined Terms; References.* (a) Unless otherwise defined herein, all capitalized terms used herein shall have the meaning given to those terms in the Services Agreement. Each reference to "hereof", "hereunder", "herein", and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Services Agreement shall, after this Amendment becomes effective, refer to the Services Agreement as amended hereby.

Section 2. *Trigger Date.* The definition of "Trigger Date" in Section 1.01 of the Services Agreement is amended to read in its entirety as follows:

"Trigger Date" means the date upon which Morgan Stanley shall cease to own greater than 50% of the Total Voting Power of MSCI.

Section 3. *Continuation of Services Agreement.* Except as otherwise modified by this Amendment, all of the other terms and provisions of the Services Agreement shall continue in full force and effect.

Section 4. *Governing Law.* This Amendment shall be construed in accordance with and governed by the law of the State of New York, without regard to the conflicts of laws rules thereof.

Section 5. *Effectiveness.* This Amendment shall become effective as of the date hereof.

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Section 6. *Counterparts*. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one agreement.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

**MORGAN STANLEY**

By: /s/ Colm Kelleher  
Name: Colm Kelleher  
Title: Chief Financial Officer

**MSCI INC.**

By: /s/ Henry A. Fernandez  
Name: Henry A. Fernandez  
Title: Chief Executive Officer, President and Chairman

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AMENDMENT NO. 1 TO TRADEMARK LICENSE AGREEMENT

This Amendment No. 1 to Trademark License Agreement (this "**Amendment**") is entered into as of July 21, 2008 by and between Morgan Stanley, a Delaware corporation ("**Morgan Stanley**") and MSCI Inc., a Delaware corporation ("**MSCI**").

**RECITALS**

WHEREAS, predecessors of each of Morgan Stanley and MSCI are parties to a Trademark License Agreement dated as of March 18, 2002 ("**Trademark License Agreement**") pursuant to which Morgan Stanley grants a trademark license to MSCI; and

WHEREAS, Morgan Stanley and MSCI wish to amend the Trademark License Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Morgan Stanley and MSCI, for themselves, their successors and permitted assigns, hereby agree as follows:

Section 1. *Defined Terms; References.* (a) Unless otherwise defined herein, all capitalized terms used herein shall have the meaning given to those terms in the Trademark License Agreement. Each reference to "hereof", "hereunder", "herein", and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Trademark License Agreement shall, after this Amendment becomes effective, refer to the Trademark License Agreement as amended hereby.

Section 2. *Substantially Owned.* The definition of "substantially owned" in Section 1.3 of the Trademark License Agreement is amended to read in its entirety as follows:

"substantially owned" means ownership of greater than 50% of the total voting power to elect directors.

Section 3. *Continuation of Trademark License Agreement.* Except as otherwise modified by this Amendment, all of the other terms and provisions of the Trademark License Agreement shall continue in full force and effect.

Section 4. *Governing Law.* This Amendment shall be construed in accordance with and governed by the law of the State of New York, without regard to the conflicts of laws rules thereof.

Section 5. *Effectiveness.* This Amendment shall become effective as of the date hereof.

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Section 6. *Counterparts*. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one agreement.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

**MORGAN STANLEY**

By: /s/ Martin M. Cohen  
Name: Martin M. Cohen  
Title: Vice President and Counsel

**MSCI INC.**

By: /s/ Henry A. Fernandez  
Name: Henry A. Fernandez  
Title: Chief Executive Officer, President and Chairman

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## ASSET PURCHASE AGREEMENT

AGREEMENT (this “**Agreement**”) dated as of July 22, 2008 between MSCI Inc., a Delaware corporation (“**Buyer**”), and Morgan Stanley & Co. Incorporated, a Delaware corporation (“**Seller**”).

## WITNESSETH:

WHEREAS, Buyer conducts a business which provides investment decision support tools used by institutional investors (the “**Business**”);

WHEREAS, Seller and/or certain of its Affiliates, own certain furniture, equipment and fixtures used in the conduct of the Business;

WHEREAS, Seller desires to sell, and cause its Affiliates to sell, to Buyer (or its designees) substantially all of the furniture, equipment and fixtures used primarily in the Business, and Buyer desires to purchase all such furniture, equipment and fixtures of the Business from Seller and such Affiliates, upon the terms and subject to the conditions hereinafter set forth;

The parties hereto agree as follows:

ARTICLE 1  
DEFINITIONS

Section 1.01. *Definitions.* (a) As used herein, the following terms have the following meanings:

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person. “**Control**” (and any form thereof, including “**Controlled by**”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“**Applicable Law**” means, with respect to any Person, any federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

“**Bill of Sale**” means the Bill of Sale and Assignment Agreement in the form attached as Exhibit A and dated as of the Closing Date among Seller, Buyer and the other Seller Entities.

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“**Business Day**” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by Applicable Law to close.

“**Closing Date**” means the date of the Closing.

“**Governmental Authority**” means any transnational, domestic or foreign federal, state or local, governmental authority, department, court, agency or official, including any political subdivision thereof.

“**Person**” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

“**Seller Entities**” means, collectively, the Seller and its Affiliates that own Purchased Assets.

(b) Each of the following terms is defined in the Section set forth opposite such term:

<b>Term</b>	<b>Section</b>
Agreement	Preamble
Allocation	<a href="#">2.02</a>
Business	Recitals
Buyer	Preamble
Closing	<a href="#">2.03</a>
e-mail	<a href="#">7.01</a>
Purchase Price	<a href="#">2.02</a>
Purchased Assets	<a href="#">2.01</a>
Seller	Preamble

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of

like import. "Writing", "written" and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; *provided* that with respect to any agreement or contract listed on any schedules hereto, all such amendments, modifications or supplements must also be listed in the appropriate schedule. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to "law", "laws" or to a particular statute or law shall be deemed also to include any and all Applicable Law.

ARTICLE 2  
PURCHASE AND SALE

Section 2.01. *Purchase and Sale.* Except as otherwise provided below, upon the terms and subject to the conditions of this Agreement, Buyer agrees to purchase from the Seller Entities and Seller agrees to sell, convey, transfer, assign and deliver, or cause each other Seller Entity to sell, convey, transfer, assign and deliver, to Buyer (or its designees) at the Closing, on an AS IS, WHERE IS basis, all of Sellers' and such other Seller Entity's right, title and interest in, to the assets referenced on Schedule [2.01](#) (the "**Purchased Assets**") and all rights, claims, credits, causes of action or rights of set-off against third parties relating to or arising from the Purchased Assets, including unliquidated rights under manufacturers' and vendors' warranties.

Section 2.02. *Purchase Price.* The purchase price for the Purchased Assets (the "**Purchase Price**") is **\$3,518,035.29** in cash. The Purchase Price shall be paid as provided in [Section 2.03](#).

Section 2.03. *Closing.* The closing (the "**Closing**") of the purchase and sale of the Purchased Assets hereunder shall take place at the offices of Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York at such time or place as Buyer and Seller may agree. At the Closing:

(a) Buyer shall deliver to Seller the Purchase Price in immediately available funds by wire transfer to an account of Seller with a bank in New York City designated by Seller, by notice to Buyer, not later than two Business Days prior to the Closing Date (or if not so designated, then by certified or official bank check payable in immediately available funds to the order of Seller in such amount).

(b) Seller and Buyer shall enter into, and Seller shall cause the other Seller Entities to enter into, the Bill of Sale and, subject to the provisions hereof,



Seller shall, and shall cause the other Seller Entities to, deliver to Buyer such deeds, bills of sale, endorsements, consents, assignments and other good and sufficient instruments of conveyance and assignment as the parties and their respective counsel shall deem reasonably necessary to vest in Buyer all right, title and interest in, to and under the Purchased Assets.

ARTICLE 3  
TAX MATTERS

Section 3.01. *Transfer Taxes.* All excise, sales, use, value added, registration stamp, recording, documentary, conveyancing, franchise, property, transfer, gains and similar taxes, levies, charges and fees incurred in connection with the transactions contemplated by this Agreement shall be borne by Buyer.

ARTICLE 4  
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as of the date hereof and as of the Closing Date that:

Section 4.01. *Corporate Existence and Power.* Seller is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

Section 4.02. *Corporate Authorization.* The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby are within Seller's corporate powers and have been duly authorized by all necessary corporate action on the part of Seller. This Agreement constitutes a valid and binding agreement of Seller.

Section 4.03. *Governmental Authorization.* The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby require no action by or in respect of, or filing with, any Governmental Authority.

Section 4.04. *Noncontravention.* The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate the certificate of incorporation or bylaws of Seller, (ii) violate any Applicable Law, (iii) require any consent or other action by any Person under, or constitute a default under, any provision of any agreement or other instrument binding upon such Seller or (iv) violate any judgment, decree or order applicable to such Seller.

ARTICLE 5  
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the date hereof and as of the Closing Date that:

Section 5.01. *Corporate Existence and Power.* Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

Section 5.02. *Corporate Authorization.* The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby are within the corporate powers of Buyer and have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement constitutes a valid and binding agreement of Buyer.

Section 5.03. *Governmental Authorization.* The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby require no action by or in respect of, or filing with, any Governmental Authority.

Section 5.04. *Noncontravention.* The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby do not and will not (v) violate the certificate of incorporation or bylaws of Buyer, (vi) violate any Applicable Law, (vii) require any consent or other action by any Person under, or constitute a default under, any provision of any agreement or other instrument binding upon such Buyer or (viii) violate any judgment, decree or order applicable to such Buyer.

ARTICLE 6  
COVENANTS OF BUYER AND SELLER

Buyer and Seller agree that:

Section 6.01. *Reasonable Best Efforts; Further Assurance.* Subject to the terms and conditions of this Agreement, Buyer and Seller will use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under Applicable Law to consummate the transactions contemplated by this Agreement. Seller and Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement and to vest in Buyer good title to the Purchased Assets.

Section 6.02. *Public Announcements.* The parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except for any press releases and public statements the making of which may be required by Applicable Law or any listing agreement with any national securities exchange, will not issue any such press release or make any such public statement prior to such consultation.

ARTICLE 7  
MISCELLANEOUS

Section 7.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail (“**e-mail**”) transmission, so long as a receipt of such e-mail is requested and received) and shall be given,

if to Buyer, to:

MSCI Inc.  
88 Pine Street  
New York, NY 10005  
Attn: Frederick W. Bogdan, General Counsel  
Facsimile: (212) 804-2906

if to Seller, to:

Morgan Stanley & Co., Incorporated  
1585 Broadway  
New York, NY 10036  
Attn: Martin M. Cohen, Director of Company Law  
Facsimile: (212) 507-3334

with a copy to:

Davis Polk & Wardwell  
450 Lexington Avenue  
New York, NY 10017  
Attn: John A. Bick  
Facsimile: (212) 450-3500

or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or

communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 7.02. *Survival.* The representations and warranties of the parties hereto contained in this Agreement shall survive the Closing.

Section 7.03. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.04. *Expenses.* Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

Section 7.05. *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

Section 7.06. *Governing Law.* This Agreement shall be governed by and construed in accordance with the law of the State of New York, without regard to the conflicts of law rules of such state.

Section 7.07. *Jurisdiction.* The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party

anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in [Section 7.01](#) shall be deemed effective service of process on such party.

Section 7.08. *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 7.09. *Counterparts; Effectiveness; Third Party Beneficiaries.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

Section 7.10. *Entire Agreement.* This Agreement and the Bill of Sale constitute the entire agreement between the parties with respect to the subject matter of hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to such subject matter.

Section 7.11. *Bulk Sales Laws.* Buyer and Seller each hereby waive compliance by Seller with the provisions of the “bulk sales,” “bulk transfer” or similar laws of any state.

Section 7.12. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MSCI INC.

By: /s/ Gary Retelny  
Name: Gary Retelny  
Title: Corporate Secretary and Chief Administrative Officer

MORGAN STANLEY & CO. INCORPORATED

By: /s/ Martin M. Cohen  
Name: Martin M. Cohen  
Title: Managing Director

[signature page to Asset Purchase Agreement]

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## MSCI

## ASSET PURCHASE FROM MORGAN STANLEY

<b>Seller: MS Financing Inc.</b>	<b>Asset Description</b>	<b>Purchase Price</b>
Purchaser: MSCI Inc.	Computer equipment (67 PCs) installed at 88 Pine Street, New York	201,260.15
	Desks installed at 88 Pine Street, New York	333,742.68
	Audio visual equipment installed at 88 Pine street, New York	72,046.76
	<b>Grand Total -all at 2nd and 3rd floors 88 Pine Street, New York</b>	<b>607,049.59</b>

<b>Seller: MS Financing Inc.</b>	<b>Asset Description</b>	<b>Purchase Price</b>
Purchaser: Barra Inc.	Leasehold improvement on the 3rd floor of 88 Pine street, New York. Including carpets, office walls, decorating and cabling installed	1,766,302.46
	<b>Grand Total -all on 3rd floor 88 Pine Street, New York</b>	<b>1,766,302.46</b>

<b>Seller: Morgan Stanley &amp; Co. Incorporated</b>	<b>Asset Description</b>	<b>Purchase Price</b>
Purchaser: Barra Inc.	Computer servers installed in 2100 Milvia Street, Berkeley, California	418,831.94
	Furniture on 3rd floor of 2100 Milvia Street, Berkeley, California	9,355.46
	70 PCs installed in 555 California Street San Francisco and 2100 Milvia Street, Berkeley California	209,001.21
	Telecom equipment installed in 2100 Milvia Street, Berkeley, California	150,069.64
	<b>Grand Total</b>	<b>787,258.25</b>

<b>Seller: Morgan Stanley UK Group</b>	<b>Asset Description</b>	<b>Purchase Price</b>
Purchaser: MSCI Limited	Cabling in London office	32,297.53
	Office construction	63,999.63
	Security configuration	46,660.81
	<b>Grand Total - all at 3<sup>rd</sup> floor, 75 King William Street, London, England</b>	<b>142,957.97</b>

<b>Seller: Morgan Stanley Services (UK) Limited</b>	<b>Asset Description</b>	<b>Purchase Price</b>
Purchaser: MSCI Limited	Computer equipment - 56 PCs	70,374.20
	Furniture in 75 King William Street office	47,848.55
	Audiovisual equipment	33,408.74
	<b>Grand Total - all at 3<sup>rd</sup> floor, 75 King William Street, London, England</b>	<b>151,631.49</b>

<b>Seller: Morgan Stanley Australia Finance Limited</b>	<b>Asset Description</b>	<b>Purchase Price</b>
Purchaser: MSCI Australia Pty Limited	Computer Equipment: - 4 PCs	9,020.11
	Furniture in Sydney office of MSCI on Level 9, 1 Castlereagh Street	12,403.41
	PBX in the Sydney office	41,412.01
	<b>Grand Total - all at Level 9, 1 Castlereagh Street, Sydney, Australia</b>	<b>62,835.53</b>

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**BILL OF SALE AND ASSIGNMENT AGREEMENT**

THIS BILL OF SALE AND ASSIGNMENT (this "**Bill of Sale**") dated as of July 31, 2008 between Morgan Stanley & Co. Incorporated, a Delaware corporation ("**Seller**"), MSCI INC., a Delaware corporation ("**Buyer**") and the other persons listed on the signature pages hereto (together with Seller, the "**Seller Entities**").

**WITNESSETH:**

WHEREAS, Buyer and Seller have concurrently herewith consummated the purchase by Buyer of the Purchased Assets pursuant to the terms and conditions of the Asset Purchase Agreement dated July 22, 2008 between Buyer and Seller, (the "**Asset Purchase Agreement**"; terms defined in the Asset Purchase Agreement and not otherwise defined herein being used herein as therein defined);

NOW, THEREFORE, in consideration of the sale of the Purchased Assets and in accordance with the terms of the Asset Purchase Agreement, the parties hereto agree as follows:

1. (a) Each Seller Entity does hereby, effective as of the Closing, convey, sell, transfer, grant, assign and deliver unto Buyer and its successors and assigns, forever, all of such Seller Entity's right, title and interest in, to and under the Purchased Assets listed opposite such Seller Entity's name on Schedule 2.01 of the Asset Purchase Agreement, subject to the terms and conditions of the Asset Purchase Agreement.

(b) Buyer does hereby accept all the right, title and interest of each Seller Entity in, to and under all of such Purchased Assets (except as aforesaid).

2. This Bill of Sale is subject to all of the terms, conditions and limitations set forth in the Asset Purchase Agreement. All the Purchased Assets, sold, transferred, assigned, conveyed and delivered hereunder are being sold, transferred, assigned, conveyed and delivered to Buyer in an "AS IS, WHERE IS CONDITION AND WITH ALL FAULTS" on the date hereof, subject to all latent and patent defects. THE SELLER ENTITIES MAKE NO REPRESENTATIONS OR WARRANTIES AS TO THE PURCHASED ASSETS, INCLUDING AS TO THEIR PHYSICAL CONDITION, USABILITY, MERCHANTABILITY OR FITNESS FOR ANY PURPOSE.

3. In the event that any provision of this Bill of Sale is constructed to conflict with a provision in the Asset Purchase Agreement, the provision in the Asset Purchase Agreement shall be deemed to be controlling.

4. This Bill of Sale shall be governed by and construed in accordance with the law of the State of New York, without regard to the conflicts of law rules of such state

5. This Bill of Sale may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[signatures appear on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MSCI INC.

By:

\_\_\_\_\_

Name:

Title:

MORGAN STANLEY & CO. INCORPORATED

By:

\_\_\_\_\_

Name:

Title:

**[THE OTHER SELLER ENTITIES]**

[signature page to Bill of Sale]

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 financial information of MSCI Inc. and subsidiaries as of August 31, 2008 and for the three-month and nine-month periods ended August 31, 2008 and 2007, and have issued our report dated October 3, 2008. As indicated in such report, 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 August 31, 2008, is incorporated by reference in Registration Statement No. 333-147540 on Form S-8.

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 Statements 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  
October 3, 2008

## 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 officers 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)) 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) 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
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third 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 officers 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 (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: October 3, 2008

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

## SECTION 302 CERTIFICATION

I, Michael K. Neborak, 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 officers 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)) 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) 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
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third 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 officers 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 (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: October 3, 2008

/s/ Michael K. Neborak

Michael K. Neborak

Chief Financial Officer

(Principal Financial Officer)

**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 Michael K. Neborak, 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 August 31, 2008, 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: October 3, 2008

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

/s/ Michael K. Neborak  
Michael K. Neborak  
Chief Financial Officer  
(Principal Financial Officer)