

GARTNER INC
Form 10-K
February 15, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

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

Commission file number: 1-14443

GARTNER, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

04-3099750

(I.R.S. Employer
Identification No.)

P.O. Box 10212

56 Top Gallant Road

Stamford, CT

(Address of principal executive offices)

06902-7700

(Zip Code)

(203) 316-1111

(Registrant's telephone number,
including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, \$.0005 par value per share

**Name of each exchange
on which registered**

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Exchange Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained
herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,
or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting
company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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 June 30, 2010, the aggregate market value of the registrant's common stock held by non-affiliates of the
registrant was \$1,679,003,400 based on the closing sale price as reported on the New York Stock Exchange.
The number of shares outstanding of the registrant's common stock was 95,993,389 as of January 31, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

| Document | Parts Into Which Incorporated |
|-----------------------------------------------------------------------------------------------------|--------------------------------------|
| Proxy Statement for the Annual Meeting of Stockholders to be held June 2, 2011 (Proxy Statement) | Part III |

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PART I

ITEM 1. BUSINESS.

GENERAL

Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. We deliver the technology-related insight necessary for our clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, we are the valuable partner to over 60,000 clients in 11,601 distinct organizations. Through the resources of Gartner Research, Gartner Executive Programs, Gartner Consulting and Gartner Events, we work with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and as of December 31, 2010, we had 4,461 associates, including 1,249 research analysts and consultants, and clients in 85 countries.

The foundation for all Gartner products and services is our independent research on IT issues. The findings from this research are delivered through our three customer segments—Research, Consulting and Events:

Research provides insight for CIOs, IT professionals, technology companies and the investment community through reports and briefings, access to our analysts, as well as peer networking services and membership programs designed specifically for CIOs and other senior executives.

Consulting consists primarily of consulting, measurement engagements and strategic advisory services (paid one-day analyst engagements) (SAS), which provide assessments of cost, performance, efficiency and quality focused on the IT industry.

Events consists of various symposia, conferences and exhibitions focused on the IT industry.

For more information regarding Gartner and our products and services, visit www.gartner.com.

References to the Company, we, our, and us are to Gartner, Inc. and its subsidiaries.

MARKET OVERVIEW

Information technology is critical to the operational and financial success of all business enterprises and other organizations, as well as government and government agencies. Once a support function, IT is now viewed as a strategic component of growth and operating performance. Accordingly, it has become imperative for executives and IT professionals to invest in IT and manage their IT spending and purchasing decisions efficiently and effectively.

As the cost of IT solutions continue to rise, executives and technology professionals have realized the importance of making well-informed decisions and increasingly seek to maximize their returns on IT capital investments. As a result, any IT investment decision in an enterprise is subject to increased financial scrutiny, especially in the current challenging economic climate. In addition, today's IT marketplace is dynamic and complex. Technology providers continually introduce new products with a wide variety of standards and features that are prone to shorter life cycles.

Users of technology—a group that encompasses nearly all organizations—must keep abreast of new developments in technology to ensure that their IT systems are reliable, efficient and meet both their current and future needs.

Given the critical nature of technology decision making and spending, business enterprises, organizations, and governments and their agencies frequently turn to outside experts for guidance in IT procurement, implementation and operations in order to maximize the value of their IT investments. Accordingly, it is critical that CIOs and other executives and personnel within an IT organization obtain value-added, independent and objective research and analysis of the IT market to assist them in these IT-related decisions.

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OUR SOLUTION

We provide high-quality, independent and objective research and analysis of the IT industry. Through our entire product portfolio, our global research team provides thought leadership and insight about technology acquisition and deployment to CIOs, executives and other technology leaders and professionals.

We employ a diversified business model that utilizes and leverages the breadth and depth of our intellectual capital. The foundation of our business model is our ability to create and distribute our proprietary research content as broadly as possible via published reports and briefings, consulting and advisory services, and hosting symposia, conferences and exhibitions.

With a base of 776 research analysts, we create timely and relevant technology-related research. In addition, we have 473 experienced consultants who combine our objective, independent research with a practical, business perspective focused on the IT industry. Our events are among the world's largest of their kind, gathering highly qualified audiences of CIOs, senior business executives, IT professionals and purchasers and providers of IT products and services.

PRODUCTS AND SERVICES

Our diversified business model provides multiple entry points and synergies that facilitate increased client spending on our research, consulting services and events. A critical part of our long-term strategy is to increase business volume with our most valuable clients, identifying relationships with the greatest sales potential and expanding those relationships by offering strategically relevant research and analysis. We also seek to extend the Gartner brand name to develop new client relationships, and augment our sales capacity and expand into new markets around the world. In addition, we seek to increase our revenue and operating cash flow through more effective pricing of our products and services. These initiatives have created additional revenue streams through more effective packaging, campaigning and cross-selling of our products and services.

Our principal products and services are delivered via our Research, Consulting and Events segments:

RESEARCH. The Gartner global research product is the fundamental building block for all Gartner services and covers all IT markets, topics and industries. We combine our proprietary research methodologies with extensive industry and academic relationships to create Gartner solutions. Our research agenda is defined by clients' needs, focusing on the critical issues, opportunities and challenges they face every day. Our research analysts are in regular contact with both technology providers and technology users, enabling them to identify the most pertinent topics in the IT marketplace and develop relevant product enhancements to meet the evolving needs of users of our research. Our proprietary research content, presented in the form of reports, briefings, updates and related tools, is delivered directly to the client's desktop via our website and/or product-specific portals.

Our research analysts provide in-depth analysis on all aspects of technology, including hardware; software and systems; services; IT management; market data and forecasts; and vertical industry issues. Clients typically sign contracts that provide access to our research content for individual users over a defined period of time, which is typically one year. Despite improving but still fragile global economic conditions, in 2010 we maintained strong research client retention, with 83% of user organizations renewing their contracts, as well as 98% wallet retention, a measure of the dollar amount of contract value we have retained with clients over the prior year. There are various products and services through which our clients can take advantage of the insight gained through our rigorous research processes and proprietary methodologies:

Gartner Executive Programs is an exclusive organization combining the shared intelligence of the largest IT executive community in the world with customized access to Gartner insight and resources. An Executive Program membership leverages the knowledge and expertise of Gartner in ways that are specific to the CIO's needs, and offers role-based offerings and member-only communities for peer-based collaboration. It enables CIOs, senior IT executives and other business executives to become more effective in their enterprises, grow their enterprises, fuel competitive advantage and operate more efficiently. Our Enterprise IT Leaders product provides a personalized service consisting of Gartner research, peer-interaction and networking to help senior leaders save time and money, mitigate risk and exploit new opportunities. This service provides CIO direct reports with the combined value of role-specific insights from Gartner analysts, practical advice from an exclusive community of peers, and expert coaching from a leadership partner. Approximately 4,000 CIOs and senior IT executives are members of Gartner Executive Programs.

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Gartner for IT Leaders currently provides eight role-based research offerings to assist end-user IT leaders with effective decision making. These products align a client's specific job-related challenges with appropriate Gartner analysts and insight, and connect IT leaders to IT peers who share common business and technology issues. Gartner for IT Leaders is an indispensable strategic resource, delivering timely, reliable insight to guide decisions and get the most from highest-priority initiatives.

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Gartner for Business Leaders provides a series of role-based research offerings for business leaders in the technology and communications industry including sales professionals, product and marketing management, competitive intelligence leaders and analyst relations professionals to achieve a higher level of success. Gartner Industry Advisory Services address technology issues and topics with a focus on their impact on specific vertical industries. This service is for CIOs, CTOs, and other senior IT executives.

AMR Supply Chain Leaders delivers objective, actionable insight and best practices around key supply chain initiatives to help supply chain operations professionals build, manage and transform their global supply chains maximizing productivity, minimizing risks and driving revenue and competitive advantage. We also offer sector-specific supply chain guidance for eight industries, including aerospace, automotive, consumer products, chemical and process manufacturing, healthcare and life sciences, high-tech manufacturing, industrial manufacturing, and retail.

AMR Enterprise Supply Chain Leaders provides senior supply chain executives (in large, complex enterprises with revenues of \$1 billion or more) with the same in-depth insight and best practice research as Gartner for Supply Chain Leaders, plus ongoing expert coaching from a trusted advisor and the ability to confer, collaborate and compare notes with a vibrant community of experienced peers.

Burton IT1 provides technical architects, systems analysts and engineers with the in-depth technical research, actionable insight and technical guidance to accelerate project timelines, mitigate execution risks and reduce IT spend.

Gartner Invest delivers technology research and analysis to buy-side, venture capital and private equity investors to support the activities of investors interested in technology. Content is built around a base of published qualitative and quantitative Gartner research that captures both the supply- and demand-side perspectives of IT, and contains unique Invest content.

CONSULTING. Gartner's consultants bring together our unique Research insight, Benchmarking data, problem-solving methodologies and hands on experience to improve the return on our client's IT investment. Our consultants provide fact-based consulting services to help our clients use and manage IT to enable business performance. We seek to accomplish three major outcomes for our clients: applying IT to drive improvements in business performance; creating sustainable IT efficiency that ensures a constant return on IT investments; and strengthening the IT organization and operations to ensure high-value services to the client's lines of business and to enable the client to adapt to business changes.

We deliver our consulting solutions by capitalizing on Gartner assets that are invaluable to IT decision making, including: (1) our extensive research, which ensures that our consulting analyses and advice are based on a deep understanding of the IT environment and the business of IT; (2) our market independence, which keeps our consultants focused on our client's success; and (3) our market-leading benchmarking capabilities, which provide relevant comparisons and best practices to assess and improve performance.

Gartner Consulting provides solutions aimed at IT roles and IT initiatives in various industries. We provide consulting engagements to CIOs and IT executives, and to those professionals responsible for IT applications, enterprise architecture, go-to-market strategies, infrastructure and operations, programs and portfolio management and sourcing and vendor relationships, that are relevant to the role played by the client within the organization. We also provide targeted consulting services to professionals in the banking and investment services, education, energy and utilities, government, healthcare providers and high tech and telecom providers that utilize our in-depth knowledge of the demands of each industry. Finally, we provide actionable solutions for IT Cost Optimization, Technology Modernization and IT Sourcing Optimization initiatives.

EVENTS. Gartner symposia and conferences are gatherings of technology's most senior IT professionals, business strategists and practitioners. Symposia and conferences give clients live access to insights developed from our latest proprietary research in a concentrated way. Informative sessions led by Gartner analysts are augmented with technology showcases, peer exchange, analyst

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one-on-one meetings, workshops and keynotes by technology's top leaders. Symposia and conferences, which are not limited to Gartner research clients, also provide participants with an opportunity to interact with business executives from the world's leading technology companies. In 2010, we held 56 Gartner events throughout the world that attracted over 37,000 attendees.

Gartner conferences attract high-level IT and business professionals who seek in-depth knowledge about technology products and services. Gartner Symposia are large, strategic conferences held in various locations throughout the world for senior IT and business professionals. Symposia are combined with ITxpo, an exhibition where the latest technology products and solutions are demonstrated. Gartner Summits focus on specific topics, technologies and industries, providing IT Professionals with the insight, solutions and networking opportunities to succeed in their job role. We offer Summits in Applications, Business Intelligence and Information Management, Business Process Improvement, Enterprise Architecture, IT Infrastructure and Operations, Portfolio and Production Management, Security and Risk Management, and Sourcing and Vendor Relationships, among others. Finally, we offer targeted events for CIOs and IT executives.

COMPETITION

We believe that the principal factors that differentiate us from our competitors are:

Superior IT Research Content We believe that we create the broadest, highest-quality and most relevant research coverage of the IT industry. Our research analysis generates unbiased insight that we believe is timely, thought-provoking and comprehensive, and that is known for its high quality, independence and objectivity.

Our Leading Brand Name For over 30 years we have been providing critical, trusted insight under the Gartner name.

Our Global Footprint and Established Customer Base We have a global presence with clients in 85 countries on six continents. For 2010 and 2009, 44% and 45% of our revenues, respectively, were derived from sales outside of the U.S.

Substantial Operating Leverage in Our Business Model We have the ability to distribute our intellectual property and expertise across multiple platforms, including research publications, consulting engagements, conferences and executive programs, to derive incremental revenues and profitability.

Experienced Management Team Our management team is composed of IT research veterans and experienced industry executives.

Vast Network of Analysts and Consultants We have 1,249 research analysts and consultants located around the world. Our analysts speak 47 languages and are located in numerous countries, enabling us to cover all aspects of IT on a global basis.

Notwithstanding these differentiating factors, we face competition from a significant number of independent providers of information products and services. We compete indirectly against consulting firms and other information providers, including electronic and print media companies. These indirect competitors could choose to compete directly with us in the future. Additionally, we face competition from free sources of information that are available to our clients through the Internet. Limited barriers to entry exist in the markets in which we do business. As a result, new competitors may emerge and existing competitors may start to provide additional or complementary services. However, we believe the breadth and depth of our research assets position us well versus our competition. Increased competition may result in loss of market share, diminished value in our products and services, reduced pricing and increased sales and marketing expenditures.

INTELLECTUAL PROPERTY

Our success has resulted in part from proprietary methodologies, software, reusable knowledge capital and other intellectual property rights. We rely on a combination of copyright, trademark, trade secret, confidentiality, non-compete and other contractual provisions to protect our intellectual property rights. We have policies related to confidentiality, ownership and the use and protection of Gartner's intellectual property, and we also enter into agreements with our employees as appropriate that protect our intellectual property, and we enforce these agreements if necessary.

We recognize the value of our intellectual property in the marketplace and vigorously identify, create and protect it. Additionally, we actively monitor and enforce contract compliance by our end users.

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EMPLOYEES

As of December 31, 2010, we had 4,461 employees, of which 709 were located at our headquarters in Stamford, Connecticut; 1,993 were located elsewhere in the United States; and 1,759 were located outside of the United States. Our employees may be subject to collective bargaining agreements at a company or industry level in those foreign countries where this is part of the local labor law or practice. We have experienced no work stoppages and consider our relations with our employees to be favorable.

AVAILABLE INFORMATION

Our Internet address is www.gartner.com and the investor relations section of our website is located at www.investor.gartner.com. We make available free of charge, on or through the investor relations section of our website, printable copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the SEC).

Also available at www.investor.gartner.com, under the Corporate Governance link, are printable and current copies of our (i) CEO & CFO Code of Ethics which applies to our Chief Executive Officer, Chief Financial Officer, controller and other financial managers, (ii) Code of Conduct, which applies to all Gartner officers, directors and employees, (iii) Board Principles and Practices, the corporate governance principles that have been adopted by our Board and (iv) charters for each of the Board's standing committees: Audit, Compensation and Governance/Nominating.

ITEM 1A. RISK FACTORS

We operate in a very competitive and rapidly changing environment that involves numerous risks and uncertainties some of which are beyond our control. In addition, we and our clients are affected by global economic conditions. You should carefully consider the following risk factors and those set forth in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are incorporated by reference in this prospectus supplement. See Available Information. You should also carefully consider all of the other information in this prospectus supplement or incorporated by reference herein. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of our common stock. Additionally risks not currently known to us or that we now deem immaterial may also harm us and negatively affect your investment.

Risks related to our business

Our operating results could be negatively impacted by general economic conditions. Our business is impacted by general economic conditions, both domestic and abroad. The severe tightening of the credit markets, significant bankruptcies and other disruptions in the financial markets, and the global economic recession that began in 2008 contributed to significant slowdowns and uncertainty in global trade and economic activity. Although global credit and general economic conditions have improved, continuing difficulties in the financial markets and uncertainty regarding the sustainability of the global economic recovery could negatively and materially affect demand for our products and services. Such difficulties could include the ability to maintain client retention, wallet retention and consulting utilization rates, achieve contract value and consulting backlog growth, attract attendees and exhibitors to our events or obtain new clients. Such developments could negatively impact our financial condition, results of operations, and cash flows.

We face significant competition and our failure to compete successfully could materially adversely affect our results of operations and financial condition. We face direct competition from a significant number of independent providers of information products and services, including information available on the Internet free of charge. We also compete indirectly against consulting firms and other information providers, including electronic and print media companies, some of which may have greater financial, information gathering and marketing resources than we do. These indirect competitors could also choose to compete directly with us in the future. In addition, limited barriers to entry exist in

the markets in which we do business. As a result, additional new competitors may emerge and existing competitors may start to provide additional or complementary services. Additionally, technological advances may provide increased competition from a variety of sources.

There can be no assurance that we will be able to successfully compete against current and future competitors and our failure to do so could result in loss of market share, diminished value in our products and services, reduced pricing and increased marketing expenditures. Furthermore, we may not be successful if we cannot compete effectively on quality of research and analysis, timely delivery of information, customer service, and the ability to offer products to meet changing market needs for information and analysis, or price.

We may not be able to maintain our existing products and services. We operate in a rapidly evolving market, and our success depends upon our ability to deliver high quality and timely research and analysis to our clients. Any failure to continue to provide credible and reliable information that is useful to our clients could have a material adverse effect on future business and operating results. Further, if our predictions prove to be wrong or are not substantiated by appropriate research, our reputation may suffer and demand for our products and services may decline. In addition, we must continue to improve our methods for delivering our

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products and services in a cost-effective manner. Failure to increase and improve our electronic delivery capabilities could adversely affect our future business and operating results.

We may not be able to enhance and develop our existing products and services, or introduce the new products and services that are needed to remain competitive. The market for our products and services is characterized by rapidly changing needs for information and analysis on the IT industry as a whole. The development of new products is a complex and time-consuming process. Nonetheless, to maintain our competitive position, we must continue to enhance and improve our products and services, develop or acquire new products and services, deliver all products and services in a timely manner, and appropriately position and price new products and services relative to the marketplace and our costs of producing them. Any failure to achieve successful client acceptance of new products and services could have a material adverse effect on our business, results of operations and financial position. Additionally, significant delays in new product or services releases or significant problems in creating new products or services could adversely affect our business, results of operations and financial position.

We depend on renewals of subscription-based services and sales of new subscription-based services for a significant portion of our revenue, and our failure to renew at historical rates or generate new sales of such services could lead to a decrease in our revenues. A large portion of our success depends on our ability to generate renewals of our subscription-based research products and services and new sales of such products and services, both to new clients and existing clients. These products and services constituted 67% and 66% of our revenues for 2010 and 2009, respectively. Generating new sales of our subscription-based products and services, both to new and existing clients, is often a time consuming process. If we are unable to generate new sales, due to competition or other factors, our revenues will be adversely affected.

Our research subscription agreements have terms that generally range from twelve to thirty months. Our ability to maintain contract renewals is subject to numerous factors, including the following:

- delivering high-quality and timely analysis and advice to our clients;
- understanding and anticipating market trends and the changing needs of our clients; and
- delivering products and services of the quality and timeliness necessary to withstand competition.

Additionally, as we continue to adjust our products and service offerings to meet our clients' continuing needs, we may shift the type and pricing of our products which may impact client renewal rates. While our research client retention rate was 83% at December 31, 2010 and 78% at December 31, 2009, there can be no guarantee that we will continue to maintain this rate of client renewals.

We depend on non-recurring consulting engagements and our failure to secure new engagements could lead to a decrease in our revenues. Consulting segment revenues constituted 23% of our total revenues for 2010 and 25% for 2009. These consulting engagements typically are project-based and non-recurring. Our ability to replace consulting engagements is subject to numerous factors, including the following:

- delivering consistent, high-quality consulting services to our clients;
- tailoring our consulting services to the changing needs of our clients; and
- our ability to match the skills and competencies of our consulting staff to the skills required for the fulfillment of existing or potential consulting engagements.

Any material decline in our ability to replace consulting arrangements could have an adverse impact on our revenues and our financial condition.

The profitability and success of our conferences, symposia and events could be adversely affected by external factors beyond our control. The market for desirable dates and locations for conferences, symposia and events is highly competitive. If we cannot secure desirable dates and locations for our conferences, symposia and events their profitability could suffer, and our financial condition and results of operations may be adversely affected. In addition, because our events are scheduled in advance and held at specific locations, the success of these events can be affected by circumstances outside of our control, such as labor strikes,

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transportation shutdowns and travel restrictions, economic slowdowns, terrorist attacks, weather, natural disasters and other world events impacting the global economy, the occurrence of any of which could negatively impact the success of the event and as the global economy recovers, our ability to procure space for our events and keep associated costs down could become more challenging.

Our sales to governments are subject to appropriations and may be terminated. We derive significant revenues from contracts with the U.S. government and its respective agencies, numerous state and local governments and their respective agencies, and foreign governments and their agencies. At December 31, 2010 and 2009, approximately \$210.0 million and \$182.0 million, respectively, of our Research contract value and Consulting backlog was attributable to governments. We believe substantially all of the amount attributable to governments at December 31, 2010 will be filled in 2011. Our U.S. government contracts are subject to the approval of appropriations by the U.S. Congress to fund the agencies contracting for our services, and our contracts at the state and local levels are subject to various government authorizations and funding approvals and mechanisms. In general, most if not all of these contracts may be terminated at any time without cause (termination for convenience). Additionally, many state governments, their agencies, and municipalities across the United States are under severe financial strain and are considering significant budget cuts. Should appropriations for the governments and agencies that contract with us be curtailed, or should government contracts be terminated for convenience, we may experience a significant loss of segment and consolidated revenues.

We may not be able to attract and retain qualified personnel which could jeopardize the quality of our products and services. Our success depends heavily upon the quality of our senior management, research analysts, consultants, sales and other key personnel. We face competition for the limited pool of these qualified professionals from, among others, technology companies, market research firms, consulting firms, financial services companies and electronic and print media companies, some of which have a greater ability to attract and compensate these professionals. Some of the personnel that we attempt to hire are subject to non-compete agreements that could impede our short-term recruitment efforts. Any failure to retain key personnel or hire and train additional qualified personnel as required to support the evolving needs of clients or growth in our business, could adversely affect the quality of our products and services, as well as future business and operating results.

We may not be able to maintain the equity in our brand name. We believe that our Gartner brand, including our independence, is critical to our efforts to attract and retain clients and that the importance of brand recognition will increase as competition increases. We may expand our marketing activities to promote and strengthen the Gartner brand and may need to increase our marketing budget, hire additional marketing and public relations personnel, expend additional sums to protect the brand and otherwise increase expenditures to create and maintain client brand loyalty. If we fail to effectively promote and maintain the Gartner brand, or incur excessive expenses in doing so, our future business and operating results could be adversely impacted.

Our international operations expose us to a variety of operational risks which could negatively impact our future revenue and growth. We have clients in 85 countries and 44% and 45% of our revenues for 2010 and 2009, respectively, were derived from sales outside of the U.S.

Our operating results are subject to the risks inherent in international business activities, including general political and economic conditions in each country, changes in market demand as a result of tariffs and other trade barriers, challenges in staffing and managing foreign operations, changes in regulatory requirements, compliance with numerous foreign laws and regulations, differences between U.S. and foreign tax rates and laws, and the difficulty of enforcing client agreements, collecting accounts receivable and protecting intellectual property rights in international jurisdictions. Furthermore, we rely on local distributors or sales agents in some international locations. If any of these arrangements are terminated by our agent or us, we may not be able to replace the arrangement on beneficial terms or on a timely basis, or clients of the local distributor or sales agent may not want to continue to do business with us or

our new agent.

Our international operations expose us to volatility in foreign currency exchange rates. Revenues earned outside the U.S. are typically transacted in local currencies, which may fluctuate significantly against the dollar. While we may use forward exchange contracts to a limited extent to seek to mitigate foreign currency risk, our revenues and results of operations could be adversely affected by unfavorable foreign currency fluctuations.

Catastrophic events or geo-political conditions may disrupt our business. A disruption or failure of our systems or operations or our ability to deliver our Research content over the internet in the event of a major weather event, cyber-attack, terrorist attack or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Our corporate headquarters is located approximately 30 miles from New York City, and we have an operations center located in Ft. Myers, Florida, in a hurricane-prone area. We also operate in numerous international locations. A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and negatively impact our operating results. Abrupt political change, terrorist activity, and armed conflict pose a risk of general economic disruption in affected countries, which may increase our operating costs. Additionally, these conditions also may add uncertainty to the timing and budget decisions of our clients.

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We may experience outages and disruptions of our online services if we fail to maintain an adequate operations infrastructure. Our increasing user traffic and complexity of our products and services demand more computing power. We have spent and expect to continue to spend substantial amounts to maintain data centers and equipment and to upgrade our technology and network infrastructure to handle increased traffic on our websites. However, any inefficiencies or operational failures could diminish the quality of our products, services, and user experience, resulting in damage to our reputation and loss of current and potential users, subscribers, and advertisers, harming our operating results and financial condition.

Our outstanding debt obligations could impact our financial condition or future operating results. In December 2010 we refinanced our debt by entering into a new credit agreement that provides for a five-year, \$200.0 million term loan and a \$400.0 million revolving credit facility (the 2010 Credit Agreement). The 2010 Credit Agreement contains an expansion feature by which the term loan and revolving facility may be increased, at our option and under certain conditions, by up to an additional \$150.0 million in the aggregate which may or may not be available to us depending upon prevailing credit market conditions.

The affirmative, negative and financial covenants of the 2010 Credit Agreement could limit our future financial flexibility. Additionally, a failure to comply with these covenants could result in acceleration of all amounts outstanding under the Credit Agreement, which would materially impact our financial condition unless accommodations could be negotiated with our lenders. No assurance can be given that we would be successful in doing so in this current financial climate, or that any accommodations that we were able to negotiate would be on terms as favorable as those presently contained in the Credit Agreement.

The associated debt service costs of the borrowing arrangement under our 2010 Credit Agreement could impair our future operating results. The outstanding debt may limit the amount of cash or additional credit available to us, which could restrain our ability to expand or enhance products and services, respond to competitive pressures or pursue future business opportunities requiring substantial investments of additional capital.

We may require additional cash resources which may not be available on favorable terms or at all. We believe that our existing cash balances, projected cash flow from operations, and the borrowing capacity we have under our revolving credit facility will be sufficient for our needs.

However, we may require additional cash resources due to changed business conditions, implementation of our strategy and stock repurchase program, to repay indebtedness or to pursue future business opportunities requiring substantial investments of additional capital. If our existing financial resources are insufficient to satisfy our requirements, we may seek additional borrowings. Prevailing credit market conditions may negatively affect debt availability and cost, and, as a result, financing may not be available in amounts or on terms acceptable to us, if at all. In addition, the incurrence of additional indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would further restrict our operations.

If we are unable to enforce and protect our intellectual property rights our competitive position may be harmed. We rely on a combination of copyright, trademark, trade secret, confidentiality, non-compete and other contractual provisions to protect our intellectual property rights. Despite our efforts to protect our intellectual property rights, unauthorized third parties may obtain and use technology or other information that we regard as proprietary. Our intellectual property rights may not survive a legal challenge to their validity or provide significant protection for us. The laws of certain countries, particularly in emerging markets, do not protect our proprietary rights to the same extent as the laws of the United States. Accordingly, we may not be able to protect our intellectual property against unauthorized third-party copying or use, which could adversely affect our competitive position. Our employees are subject to non-compete agreements. When the non-competition period expires, former employees may compete

against us. If a former employee chooses to compete against us prior to the expiration of the non-competition period, we seek to enforce these non-compete provisions but there is no assurance that we will be successful in our efforts. Additionally, there can be no assurance that another party will not assert that we have infringed its intellectual property rights.

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We have grown, and may continue to grow, through acquisitions and strategic investments, which could involve substantial risks. We have made and may continue to make acquisitions of, or significant investments in, businesses that offer complementary products and services. The risks involved in each acquisition or investment include the possibility of paying more than the value we derive from the acquisition, dilution of the interests of our current stockholders or decreased working capital, increased indebtedness, the assumption of undisclosed liabilities and unknown and unforeseen risks, the ability to retain key personnel of the acquired company, the inability to integrate the business of the acquired company, the time to train the sales force to market and sell the products of the acquired business, the potential disruption of our ongoing business and the distraction of management from our business. The realization of any of these risks could adversely affect our business. Additionally, we face competition in identifying acquisition targets and consummating acquisitions.

We face risks related to litigation. We are, and may in the future be, subject to a variety of legal actions, such as employment, breach of contract, intellectual property-related, and business torts, including claims of unfair trade practices and misappropriation of trade secrets. Given the nature of our business, we are also subject to defamation (including libel and slander), negligence, or other claims relating to the information we publish. Regardless of the merits, responding to any such claim could be time consuming, result in costly litigation and require us to enter into settlements, royalty and licensing agreements which may not be offered or available on reasonable terms. If a successful claim is made against us and we fail to settle the claim on reasonable terms, our business, results of operations or financial position could be materially adversely affected.

We face risks related to taxation. We operate in numerous domestic and foreign taxing jurisdictions and our level of operations and profitability in each jurisdiction may have an impact upon the amount of income taxes that we recognize in any given year. In addition, our tax filings for various tax years are subject to audit by the tax authorities in jurisdictions where we conduct business, and in the ordinary course of business, we may be under audit by one or more tax authorities from time to time.

These audits may result in assessments of additional taxes, and resolution of these matters involves uncertainties and there are no assurances that the ultimate resolution will not exceed the amounts we have recorded. Additionally, the results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period or periods for which that determination is made.

Risks related to our Common Stock

Our operating results may fluctuate from period to period and may not meet the expectations of securities analysts or investors or guidance we have given, which may cause the price of our Common Stock to decline. Our quarterly and annual operating results may fluctuate in the future as a result of many factors, including the timing of the execution of research contracts, the extent of completion of consulting engagements, the timing of symposia and other events, the amount of new business generated, the mix of domestic and international business, currency fluctuations, changes in market demand for our products and services, the timing of the development, introduction and marketing of new products and services, and competition in the industry. An inability to generate sufficient earnings and cash flow, and achieve our forecasts, may impact our operating and other activities. The potential fluctuations in our operating results could cause period-to-period comparisons of operating results not to be meaningful and may provide an unreliable indication of future operating results. Furthermore, our operating results may not meet the expectations of securities analysts or investors in the future or guidance we have given. If this occurs, the price of our stock would likely decline.

Our stock price may be impacted by factors outside of our control and you may not be able to resell shares of our Common Stock at or above the price you paid. The trading prices of our Common Stock could be subject to significant fluctuations in response to, among other factors, developments in the industries in which we do business,

general economic conditions, general market conditions, changes in the nature and composition of our stockholder base, changes in securities analysts' recommendations regarding our securities and our performance relative to securities analysts' expectations for any quarterly period. These factors may adversely affect the market price of our Common Stock.

Future sales of our Common Stock in the public market could lower our stock price. Sales of a substantial number of shares of Common Stock in the public market by our current stockholders, or the threat that substantial sales may occur, could cause the market price of our Common Stock to decrease significantly or make it difficult for us to raise additional capital by selling stock. Furthermore, we have various equity incentive plans that provide for awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards which have the effect of adding shares of Common Stock into the public market.

As of December 31, 2010, the aggregate number of shares of our Common Stock issuable pursuant to outstanding grants and awards under these plans was approximately 9.0 million shares (approximately 3.5 million of which have vested). In addition, approximately 7.0 million shares may be issued in connection with future awards under our equity incentive plans. Shares of Common Stock issued under these plans are freely transferable without further registration under the Securities Act of 1933, as amended (the Securities Act), except for any shares held by affiliates (as that term is defined in Rule 144 under the Securities Act). We cannot predict the size of future issuances of our Common Stock or the effect, if any, that future issuances and sales of shares of our Common Stock will have on the market price of our Common Stock.

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Interests of certain of our significant stockholders may conflict with yours. To our knowledge, as of the date of this report and based upon SEC filings, seven institutional investors each presently hold over 5% of our Common Stock. Additionally, a representative of ValueAct Capital Master Fund L.P. (ValueAct Capital) presently holds one seat on our Board of Directors.

While no stockholder or institutional investor individually holds a majority of our outstanding shares, these significant stockholders may be able, either individually or acting together, to exercise significant influence over matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, adoption or amendment of equity plans and approval of significant transactions such as mergers, acquisitions, consolidations and sales or purchases of assets. In addition, in the event of a proposed acquisition of the Company by a third party, this concentration of ownership may delay or prevent a change of control in us. Accordingly, the interests of these stockholders may not always coincide with our interests or the interests of other stockholders, or otherwise be in the best interests of us or all stockholders.

Our anti-takeover protections may discourage or prevent a change of control, even if a change in control would be beneficial to our stockholders. Provisions of our restated certificate of incorporation and bylaws and Delaware law may make it difficult for any party to acquire control of us in a transaction not approved by our Board of Directors. These provisions include:

- the ability of our Board of Directors to issue and determine the terms of preferred stock;
- advance notice requirements for inclusion of stockholder proposals at stockholder meetings; and
- the anti-takeover provisions of Delaware law.

These provisions could discourage or prevent a change of control or change in management that might provide stockholders with a premium to the market price of their Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There are no unresolved written comments that were received from the SEC staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Exchange Act.

ITEM 2. PROPERTIES.

We lease 19 domestic and 42 international offices and we have a significant presence in Stamford, Connecticut, Ft. Myers, Florida and Egham, the United Kingdom. The Company does not currently own any properties.

Our corporate headquarters is located in approximately 213,000 square feet of leased office space in three buildings located in Stamford. This facility also accommodates research and analysis, marketing, sales, client support, production, corporate services, and administration. During 2010, and as previously disclosed, the Company entered into an amended and restated lease agreement for the Stamford headquarters facility that provides for a term of fifteen years. The amended lease also grants the Company three options to renew the lease at fair market value for five years each, an option to purchase the facility at fair market value, and \$25.0 million to be provided by the landlord to renovate the three buildings and the parking areas comprising the facility. The renovation work will occur in 2011 and 2012.

Our Ft. Myers location consists of approximately 62,400 square feet of leased office space located in one building for which the lease expires in January 2013, and we are currently in negotiations for expanded lease space in this location. Our Egham location has approximately 72,000 square feet of leased office space in two buildings for which the leases expire in 2020 and 2025, respectively. Our 58 other domestic and international locations support our research, consulting, domestic and international sales efforts, and other functions.

We continue to constantly assess our space needs as our business changes. We believe that our existing facilities and the anticipated expansion in Ft. Myers are adequate for our current and foreseeable needs. Should additional space be necessary, we believe that it will be available.

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ITEM 3. LEGAL PROCEEDINGS.

We are involved in various legal proceedings and litigation arising in the ordinary course of business. The outcome of these individual matters is not predictable at this time. However, we believe that the ultimate resolution of these matters, after considering amounts already accrued and insurance coverage, will not have a material adverse effect on our financial position, results of operations, or cash flows in future periods.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our Common Stock is listed on the New York Stock Exchange under the symbol IT. As of January 31, 2011, there were 2,363 holders of record of our Common Stock. Our 2011 Annual Meeting of Stockholders will be held on June 2, 2011 at the Company's corporate headquarters in Stamford, Connecticut. We did not submit any matter to a vote of our stockholders during the fourth quarter of 2010.

The following table sets forth the high and low sale prices for our Common Stock as reported on the New York Stock Exchange for the periods indicated:

| | 2010 | | 2009 | |
|----------------------------|---------|---------|---------|---------|
| | High | Low | High | Low |
| Quarter ended March 31 | \$24.75 | \$18.07 | \$18.55 | \$ 8.33 |
| Quarter ended June 30 | 26.58 | 21.73 | 16.54 | 10.55 |
| Quarter ended September 30 | 29.99 | 22.72 | 18.50 | 14.14 |
| Quarter ended December 31 | 34.00 | 29.54 | 20.27 | 16.85 |

DIVIDEND POLICY

We currently do not pay cash dividends on our Common Stock. In addition, our 2010 Credit Agreement contains a negative covenant which may limit our ability to pay dividends.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The equity compensation plan information set forth in Part III, Item 12 of this Form 10-K is hereby incorporated by reference into this Part II, Item 5.

SHARE REPURCHASES

The Company has a \$500.0 million share repurchase program which was approved by the Company's Board of Directors in the third quarter of 2010 and replaced the Company's prior repurchase program. Repurchases may be made from time-to-time through open market purchases, private transactions, tender offers or other transactions. The amount and timing of repurchases will be subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance and other conditions. Repurchases may also be made from time-to-time in connection with the settlement of the Company's shared-based compensation awards. Repurchases will be funded from cash flow from operations or borrowings.

The following table provides detail related to repurchases of our Common Stock in the three months ended December 31, 2010 pursuant to our share repurchase program and pursuant to the settlement of share-based compensation awards:

| Period | Total Number of Shares Purchased (#) | Average Price Paid Per Share (\$) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (#) | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$000 s) |
|--------|-----------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | |
| | | | | |

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| | | | | | |
|-----------|---------|----|-------|---------|------------|
| October | 43,320 | \$ | 31.45 | 43,320 | |
| November | 601,295 | | 31.83 | 601,295 | |
| December | 85,159 | | 33.40 | 85,159 | |
| Total (1) | 729,774 | \$ | 31.99 | 729,774 | \$ 481,911 |

(1) For the year ended December 31, 2010, the Company repurchased 3,918,719 shares at an average price of \$25.47 per share for a total cost of approximately \$99.8 million.

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The fiscal years presented below are for the respective twelve-month period from January 1 through December 31. Data for all years was derived or compiled from our audited consolidated financial statements included herein or from submissions of our Form 10-K in prior years. The selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes contained in this Annual Report on Form 10-K.

| (In thousands, except per share data) | 2010 | 2009 | 2008 | 2007 | 2006 |
|----------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| STATEMENT OF OPERATIONS | | | | | |
| DATA: | | | | | |
| Revenues: | | | | | |
| Research | \$ 865,000 | \$ 752,505 | \$ 781,581 | \$ 683,380 | \$ 585,656 |
| Consulting | 302,117 | 286,847 | 347,404 | 325,030 | 305,231 |
| Events | 121,337 | 100,448 | 150,080 | 160,065 | 146,412 |
| Total revenues | 1,288,454 | 1,139,800 | 1,279,065 | 1,168,475 | 1,037,299 |
| Operating income | 149,265 | 134,477 | 164,368 | 129,458 | 98,039 |
| Income from continuing operations | 96,285 | 82,964 | 97,148 | 70,666 | 54,258 |
| Income from discontinued operations | | | 6,723 | 2,887 | 3,934 |
| Net income | \$ 96,285 | \$ 82,964 | \$ 103,871 | \$ 73,553 | \$ 58,192 |
| PER SHARE DATA: | | | | | |
| Basic: | | | | | |
| Income from continuing operations | \$ 1.01 | \$ 0.88 | \$ 1.02 | \$ 0.68 | \$ 0.48 |
| Income from discontinued operations | | | 0.07 | 0.03 | 0.03 |
| Income per share | \$ 1.01 | \$ 0.88 | \$ 1.09 | \$ 0.71 | \$ 0.51 |
| Diluted: | | | | | |
| Income from continuing operations | \$ 0.96 | \$ 0.85 | \$ 0.98 | \$ 0.65 | \$ 0.47 |
| Income from discontinued operations | | | 0.07 | 0.03 | 0.03 |
| Income per share | \$ 0.96 | \$ 0.85 | \$ 1.05 | \$ 0.68 | \$ 0.50 |
| Weighted average shares outstanding | | | | | |
| Basic | 95,747 | 94,658 | 95,246 | 103,613 | 113,071 |
| Diluted | 99,834 | 97,549 | 99,028 | 108,328 | 116,203 |
| OTHER DATA: | | | | | |
| Cash and cash equivalents | \$ 120,181 | \$ 116,574 | \$ 140,929 | \$ 109,945 | \$ 67,801 |
| Total assets | 1,285,658 | 1,215,279 | 1,093,065 | 1,133,210 | 1,039,793 |
| Long-term debt | 180,000 | 124,000 | 238,500 | 157,500 | 150,000 |
| Stockholders' equity (deficit) | 187,056 | 112,535 | (21,316) | 17,498 | 26,318 |

The following items impact the comparability and presentation of our consolidated data:

In December 2010 we refinanced our debt (see Note 6 Debt in the Notes to the Consolidated Financial Statements). In conjunction with the refinancing, we recorded \$3.7 million in incremental pre-tax charges related to the termination of the previous credit arrangement.

In December 2009 we acquired AMR Research, Inc. and Burton Group, Inc. (see Note 2 Acquisitions in the Notes to the Consolidated Financial Statements). The results of these businesses are included beginning on their respective dates of acquisition. For 2010 and 2009, we recognized \$7.9 million and \$2.9 million, respectively in pre-tax acquisition and integration charges related to these acquisitions.

In 2008 we sold our Vision Events business, which had been part of our Events segment (see Note 3 Discontinued Operations in the Notes to the Consolidated Financial Statements). The results of operations of this business and the gain on sale were reported as a discontinued operation. The statement of operations and per share data for 2007 and 2006 have been restated to present the results of this business as a discontinued operation. In 2007 we recorded Other charges, which included costs for the settlement of litigation and severance, on a pre-tax basis, of \$9.1 million.

We repurchased 3.9 million, 0.3 million, 9.7 million, 8.4 million, and 14.9 million of our common shares in 2010, 2009, 2008, 2007 and 2006, respectively (see Note 8 Equity in the Notes to the Consolidated Financial Statements).

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The purpose of the following Management's Discussion and Analysis (MD&A) is to help facilitate the understanding of significant factors influencing the operating results, financial condition and cash flows of Gartner, Inc.

Additionally, the MD&A also conveys our expectations of the potential impact of known trends, events or uncertainties that may impact future results. You should read this discussion in conjunction with our consolidated financial statements and related notes included in this report. Historical results and percentage relationships are not necessarily indicative of operating results for future periods. References to the Company, we, our, and us are to Gartner, Inc. and its consolidated subsidiaries.

The following items impact the presentation and discussion of results in this MD&A section:

On December 18, 2009 we acquired AMR Research, Inc. (AMR Research) and on December 30, 2009 we acquired Burton Group, Inc. (Burton Group) (see Note 2 Acquisitions in the Notes to the Consolidated Financial Statements).

The operating results of these businesses have been included in our consolidated results beginning on their respective dates of acquisition. The results of these businesses were not material to our consolidated or segment results for 2009.

In 2008 we sold our Vision Events business, which had been part of our Events segment. As a result, the results of operations for this business for 2008 and earlier periods have been reported as a discontinued operation (see Note 3 Discontinued Operations in the Notes to the Consolidated Financial Statements).

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains certain forward-looking statements.

Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking

statements can be identified by the use of words such as may, will, expect, should, could, believe, plan, estimate, predict, potential, continue, or other words of similar meaning.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under Part 1, Item 1A, Risk Factors. Readers should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur. Readers should review carefully any risk factors described in our reports filed with the SEC.

BUSINESS OVERVIEW

Gartner, Inc. is the world's leading information technology research and advisory company that helps executives use technology to build, guide and grow their enterprises. We offer independent and objective research and analysis on the information technology, computer hardware, software, communications and related technology industries. We provide comprehensive coverage of the IT industry to 11,601 client organizations, including approximately 400 of the Fortune 500 companies, in 85 countries. Our client base consists primarily of CIOs and other senior IT and executives from a wide variety of business enterprises, government agencies and the investment community.

We have three business segments: Research, Consulting and Events.

Research provides insight for CIOs, other IT executives and professionals, business leaders, technology companies and the investment community through research reports and briefings, access to our analysts, as well as peer networking services and membership programs.

Consulting consists primarily of consulting engagements that utilize our research insight, benchmarking data, problem-solving methodologies and hands on experience to improve the return on an organization's IT investment through assessments of cost, performance, efficiency and quality.

Events consists of various symposia, summits and conferences focused on the IT industry as a whole, as well as IT applicable to particular industries and particular roles within an organization.

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BUSINESS MEASUREMENTS

We believe the following business measurements are important performance indicators for our business segments:

BUSINESS SEGMENT

BUSINESS MEASUREMENTS

Research

Contract value represents the value attributable to all of our subscription-related research products that recognize revenue on a ratable basis. Contract value is calculated as the annualized value of all subscription research contracts in effect at a specific point in time, without regard to the duration of the contract.

Client retention rate represents a measure of client satisfaction and renewed business relationships at a specific point in time. Client retention is calculated on a percentage basis by dividing our current clients, who were also clients a year ago, by all clients from a year ago.

Wallet retention rate represents a measure of the amount of contract value we have retained with clients over a twelve-month period. Wallet retention is calculated on a percentage basis by dividing the contract value of clients, who were clients one year earlier, by the total contract value from a year earlier, excluding the impact of foreign currency exchange. When wallet retention exceeds client retention, it is an indication of retention of higher-spending clients, or increased spending by retained clients, or both.

Number of executive program members represents the number of paid participants in executive programs.

Consulting

Consulting backlog represents future revenue to be derived from in-process consulting, measurement and strategic advisory services engagements.

Utilization rates represent a measure of productivity of our consultants. Utilization rates are calculated for billable headcount on a percentage basis by dividing total hours billed by total hours available to bill.

Billing Rate represents earned billable revenue divided by total billable hours.

Average annualized revenue per billable headcount represents a measure of the revenue generating ability of an average billable consultant and is calculated periodically by multiplying the average billing rate per hour times the utilization percentage times the billable hours available for one year.

Events

Number of events represents the total number of hosted events completed during the period.

Number of attendees represents the number of people who attend events.

EXECUTIVE SUMMARY OF OPERATIONS AND FINANCIAL POSITION

The cornerstones of our growth strategy are to focus on producing extraordinary research content, deliver innovative and highly differentiated product offerings, enhance our sales capability, provide world class client service, and improve our operational effectiveness.

We had total revenues of \$1,288.5 million in 2010, an increase of 13% over the prior year while diluted earnings per share increased by \$.11 per share, to \$0.96. Revenues increased across all of our geographic regions and in all three of our business segments. Total revenues were also up 13% excluding the impact of foreign currency.

Research revenues rose 15% year-over-year, to \$865.00 million in 2010, while the contribution margin was flat at 65%. At December 31, 2010, Research contract value was almost \$978.0 million, the highest in the Company's history, and an increase of 25% over December 31, 2009. Client retention was 83% and wallet retention was 98% at December 31, 2010.

Consulting revenues increased 5% over 2009, while the gross contribution margin improved by 1 point. Consultant utilization was 68% for 2010, the same as 2009. We had 473 billable consultants at December 31, 2010.

Events revenues increased 21% compared to 2009. We held 56 events in 2010, two more than the prior year, and attendance at our events increased 22%, to 37,219. The segment contribution margin was 46% for 2010, an increase of

5 points over 2009.

For a more detailed discussion of our segment results, see Segment Results below.

We refinanced our debt in late 2010 to take advantage of favorable financing conditions and to obtain greater financial flexibility and liquidity through a larger revolving credit facility. The new credit arrangement provides for a five-year, \$200.0 million term loan and a \$400.0 million revolving credit facility.

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Gartner generated over \$205.0 million of cash from operating activities in 2010. We had \$120.2 million of cash and cash equivalents as of December 31, 2010, and we had \$376.0 million of available borrowing capacity under our new revolving credit facility. We believe we have a strong cash position and liquidity.

FLUCTUATIONS IN QUARTERLY RESULTS

Our quarterly and annual revenue, operating income, and cash flow fluctuate as a result of many factors, including: the timing of our SymposiumITxpo series, that normally are held during the fourth calendar quarter, and other events; the amount of new business generated; the mix of domestic and international business; changes in market demand for our products and services; changes in foreign currency rates; the timing of the development, introduction and marketing of new products and services; competition in the industry; and other factors. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and could provide an unreliable indication of future operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires the application of appropriate accounting policies and the use of estimates. Our significant accounting policies are described in Note 1 in the Notes to Consolidated Financial Statements. Management considers the policies discussed below to be critical to an understanding of our financial statements because their application requires complex and subjective management judgments and estimates. Specific risks for these critical accounting policies are also described below.

The preparation of our financial statements also requires us to make estimates and assumptions about future events. We develop our estimates using both current and historical experience, as well as other factors, including the general economic environment and actions we may take in the future. We adjust such estimates when facts and circumstances dictate. However, our estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on our best judgment at a point in time and as such these estimates may ultimately differ from actual results. On-going changes in our estimates could be material and would be reflected in the Company's financial statements in future periods.

Our critical accounting policies are as follows:

Revenue recognition We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), and SEC Staff Accounting Bulletin No. 104, Revenue Recognition (SAB 104). Once all required criteria for revenue recognition have been met, revenue by significant source is accounted for as follows:

Research revenues are derived from subscription contracts for research products and are deferred and recognized ratably over the applicable contract term. Fees from research reprints are recognized when the reprint is shipped. Consulting revenues are principally generated from fixed fee and time and material engagements. Revenues from fixed fee contracts are recognized on a proportional performance basis. Revenues from time and materials engagements are recognized as work is delivered and/or services are provided. Revenues related to contract optimization contracts are contingent in nature and are only recognized upon satisfaction of all conditions related to their payment.

Events revenues are deferred and recognized upon the completion of the related symposium, conference or exhibition.

The majority of research contracts are billable upon signing, absent special terms granted on a limited basis from time to time. All research contracts are non-cancelable and non-refundable, except for government contracts that may have cancellation or fiscal funding clauses. It is our policy to record the entire amount of the contract that is billable as a fee receivable at the time the contract is signed with a corresponding amount as deferred revenue, since the contract represents a legally enforceable claim.

For those government contracts that permit cancellation, historically we only recorded fees receivables to the extent amounts were earned and deferred revenue to the extent cash was received. As of September 30, 2010, based on an analysis of historic contract cancellations, we determined that the likelihood of such cancellations was remote.

Accordingly, as of that date we record the entire billable contract amount as fees receivable at the time the contract is signed with a corresponding amount to deferred revenue, consistent with other contracts. This change in estimate had an immaterial impact.

Uncollectible fees receivable The allowance for losses is composed of a bad debt allowance and a sales reserve. Provisions are charged against earnings, either as a reduction in revenues or an increase to expense. The measurement of likely and probable losses

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and the allowance for losses is based on historical loss experience, aging of outstanding receivables, an assessment of current economic conditions and the financial health of specific clients. This evaluation is inherently judgmental and requires material estimates. These valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectibility of fees receivable becomes available. Circumstances that could cause our valuation reserves to increase include changes in our clients' liquidity and credit quality, other factors negatively impacting our clients' ability to pay their obligations as they come due, and the effectiveness of our collection efforts.

The following table provides our total fees receivable and the related allowance for losses (in thousands):

| | December 31, | |
|-----------------------|---------------------|-------------|
| | 2010 | 2009 |
| Total fees receivable | \$ 372,018 | \$ 325,698 |
| Allowance for losses | (7,200) | (8,100) |
| Fees receivable, net | \$ 364,818 | \$ 317,598 |

Impairment of goodwill and other intangible assets The evaluation of goodwill is performed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, which requires goodwill to be assessed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, an impairment evaluation of our amortizable intangible assets is performed on a periodic basis.

Our annual goodwill assessment requires us to estimate the fair values of our reporting units based on estimates of future business operations and market and economic conditions in developing long-term forecasts. If we determine that the fair value of any reporting unit is less than its carrying amount, we must recognize an impairment charge for a portion of the associated goodwill of that reporting unit against earnings in our financial statements.

Factors we consider important that could trigger a review for impairment include the following:

- Significant under-performance relative to historical or projected future operating results;
- Significant changes in the manner of our use of acquired assets or the strategy for our overall business;
- Significant negative industry or economic trends;
- Significant decline in our stock price for a sustained period; and
- Our market capitalization relative to net book value.

Due to the numerous variables associated with our judgments and assumptions relating to the valuation of the reporting units and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we may change our estimates.

We completed the required annual goodwill impairment testing in the quarter ended September 30, 2010 and concluded that the fair values of each of the Company's reporting units substantially exceeded their respective carrying values. In addition, management concluded that none of the goodwill impairment triggers discussed above occurred in the fourth quarter of 2010. See Note 1 – Business and Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional goodwill disclosures.

Accounting for income taxes As we prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions where we operate. This process involves estimating our current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We record a valuation allowance to reduce our deferred tax assets when future realization is in question. We consider the availability of loss carryforwards, existing deferred tax liabilities, future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event we determine that we are able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment is made to reduce the valuation allowance and increase income in the period such determination is made. Likewise, if we determine that

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we will not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the valuation allowance is charged against income in the period such determination is made.

Accounting for stock-based compensation The Company accounts for stock-based compensation in accordance with FASB ASC Topics 505 and 718, as interpreted by SEC Staff Accounting Bulletins No. 107 (SAB No. 107) and No. 110 (SAB No. 110). The Company recognizes stock-based compensation expense, which is based on the fair value of the award on the date of grant, over the related service period, net of estimated forfeitures (see Note 9 Stock-Based Compensation in the Notes to the Consolidated Financial Statements).

Determining the appropriate fair value model and calculating the fair value of stock compensation awards requires the input of certain highly complex and subjective assumptions, including the expected life of the stock compensation awards and the Company's Common Stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the rate of employee forfeitures and the likelihood of achievement of certain performance targets. The assumptions used in calculating the fair value of stock compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's stock-based compensation awards changes, then the amount of expense may need to be adjusted and future stock compensation expense could be materially different from what has been recorded in the current period.

Restructuring and other accruals We may record accruals for severance costs, costs associated with excess facilities that we have leased, contract terminations, asset impairments, and other costs as a result of on-going actions we undertake to streamline our organization, reposition certain businesses and reduce ongoing costs. Estimates of costs to be incurred to complete these actions, such as future lease payments, sublease income, the fair value of assets, and severance and related benefits, are based on assumptions at the time the actions are initiated. These accruals may need to be adjusted to the extent actual costs differ from such estimates. In addition, these actions may be revised due to changes in business conditions that we did not foresee at the time such plans were approved.

We also record accruals during the year for our various employee cash incentive programs. Amounts accrued at the end of each reporting period are based on our estimates and may require adjustment as the ultimate amount paid for these incentives are sometimes not known with certainty until after year end.

Table of Contents**RESULTS OF OPERATIONS****Overall Results**

The following tables summarize the changes in selected line items in our Consolidated Statements of Operation for the three years ended December 31, 2010 (dollars in thousands):

For the twelve months ended December 31, 2010 and 2009:

| | Twelve Months Ended December 31, 2010 | Twelve Months Ended December 31, 2009 (1) | Income Increase (Decrease) \$ | Income Increase (Decrease) % |
|----------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Total revenues | \$ 1,288,454 | \$ 1,139,800 | \$ 148,654 | 13% |
| Costs and expenses: | | | | |
| Cost of services & product development | 552,238 | 498,363 | (53,875) | (11)% |
| Selling, general and administrative | 543,174 | 477,003 | (66,171) | (14)% |
| Depreciation | 25,349 | 25,387 | 38 | % |
| Amortization of intangibles | 10,525 | 1,636 | (8,889) | >(100)% |
| Acquisition & integration charges | 7,903 | 2,934 | (4,969) | >(100)% |
| Operating income | 149,265 | 134,477 | 14,788 | 11% |
| Interest expense, net | (15,616) | (16,032) | 416 | 3% |
| Other income (expense), net | 436 | (2,919) | 3,355 | >100% |
| Provision for income taxes | 37,800 | 32,562 | (5,238) | (16)% |
| Net income | \$ 96,285 | \$ 82,964 | \$ 13,321 | 16% |

For the twelve months ended December 31, 2009 and 2008:

| | Twelve Months Ended December 31, 2009 (1) | Twelve Months Ended December 31, 2008 | Income Increase (Decrease) \$ | Income Increase (Decrease) % |
|-------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Total revenues | \$ 1,139,800 | \$ 1,279,065 | \$ (139,265) | (11)% |
| Costs and expenses: | | | | |
| Cost of services & product development | 498,363 | 572,208 | 73,845 | 13% |
| Selling, general and administrative | 477,003 | 514,994 | 37,991 | 7% |
| Depreciation | 25,387 | 25,880 | 493 | 2% |
| Amortization of intangibles | 1,636 | 1,615 | (21) | (1)% |
| Acquisition & integration charges | 2,934 | | (2,934) | (100)% |
| Operating income | 134,477 | 164,368 | (29,891) | (18)% |
| Interest expense, net | (16,032) | (19,269) | 3,237 | 17% |
| Other expense, net | (2,919) | (358) | (2,561) | >(100)% |
| Provision for income taxes | 32,562 | 47,593 | 15,031 | 32% |
| Income from continuing operations | 82,964 | 97,148 | (14,184) | (15)% |
| Income from discontinued operations, net of taxes (2) | | 6,723 | (6,723) | (100)% |

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| | | | | | | | |
|------------|----|--------|----|---------|----|----------|-------|
| Net income | \$ | 82,964 | \$ | 103,871 | \$ | (20,907) | (20)% |
|------------|----|--------|----|---------|----|----------|-------|

- (1) In December 2009 we acquired AMR Research and Burton Group. The operating results of these businesses have been included in our consolidated results of operations beginning on their respective dates of acquisition. The results of these businesses were not material to the Company's 2009 consolidated operating results.
- (2) Includes the gain on sale and operating results of the Company's Vision Events business, which was sold in 2008.

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2010 VERSUS 2009

TOTAL REVENUES for the twelve months ended December 31, 2010 increased \$148.7 million, or 13%, compared to the twelve months ended December 31, 2009. Revenues increased across all of our geographic regions and in all three of our business segments. Total revenues were also up 13% excluding the impact of foreign currency, which had an immaterial impact year-over-year.

An overview of our results by geographic region follows:

Revenues from sales to United States and Canadian clients increased 15%, to \$765.8 million in 2010 from \$663.8 million in 2009, with a substantial portion of the increase due to the AMR Research and Burton Group businesses.

Revenues from sales to clients in Europe, the Middle East and Africa (EMEA) increased to \$380.8 million in 2010 from \$360.8 million in 2009, a 6% increase.

Revenues from sales to clients in our Other International region increased 23%, to \$141.9 million in 2010 from \$115.2 million in 2009.

An overview of our results by segment follows:

Research revenues increased 15% in 2010, to \$865.0 million compared to \$752.5 million in 2009, and comprised 67% and 66% of our total revenues in 2010 and 2009, respectively.

Consulting revenues increased 5% in 2010 to \$302.1 million, compared to \$286.8 million in 2009, and comprised approximately 23% and 25% of our total revenues in 2010 and 2009, respectively.

Events revenues were \$121.3 million in 2010, an increase of 21% from \$100.4 million in 2009, and comprised approximately 10% and 9% of our total revenues in 2010 and 2009, respectively.

Please refer to the section of this MD&A below entitled Segment Results for a further discussion of revenues and results by segment.

COST OF SERVICES AND PRODUCT DEVELOPMENT (COS) increased 11% in 2010, or \$53.9 million, to \$552.2 million compared to \$498.4 million in 2009. The impact of foreign currency on the year-over-year increase was not significant. We recognized \$36.8 million in higher payroll, commissions, and related personnel costs in 2010, primarily due to the impact of the increased headcount from the AMR Research and Burton Group businesses. We had \$12.0 million in higher conference and travel costs in 2010, due to the additional events we held and increased attendees, as well as a general increase in travel activity from the depressed 2009 levels, when the Company had strict travel restrictions in place due to the economic downturn. We also had \$2.2 million in higher equity compensation expense due to a higher level of achievement on performance-based stock units.

Cost of services and product development as a percentage of sales was 43% in 2010 and 44% in 2009, a 1 point improvement, primarily driven by the substantial increase in our fourth quarter 2010 revenues, which increased 16% over the fourth quarter of 2009, and was substantially greater than the increase in the quarterly cost of services. The improvement reflects the operating leverage of our business model.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) expense increased by \$66.2 million in 2010, or 14%, to \$543.2 million from \$477.0 million in 2009. Excluding the unfavorable impact of foreign exchange, SG&A expense increased 13% year-over-year. We had \$47.0 million of higher sales commissions, payroll and benefits, and other personnel charges in 2010, which included the additional headcount costs attributable to the AMR Research and Burton Group businesses. We also had \$4.3 million of additional stock-based compensation expense due to the higher level of achievement on performance-based stock units and higher travel charges of \$7.1 million, primarily due to additional sales headcount and the loosening of travel restrictions. The unfavorable impact of foreign currency added \$3.1 million of additional expense.

DEPRECIATION expense decreased slightly year-over-year. Capital spending increased to \$21.7 million in 2010 from \$15.1 million in 2009, a 43% increase. The Company had reduced its capital expenditures in 2009 due to the economic downturn.

AMORTIZATION OF INTANGIBLES was \$10.5 million in 2010 compared to \$1.6 million in 2009. The increase is due to the amortization of the intangibles acquired from AMR Research and Burton Group.

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ACQUISITION AND INTEGRATION CHARGES was \$7.9 million in 2010 and \$2.9 million in 2009. Included in these charges are legal fees and consultant fees in connection with the acquisitions and integration of AMR Research and Burton Group, as well as severance costs related to redundant headcount.

OPERATING INCOME increased 11% year-over-year, to \$149.3 million in 2010 from \$134.5 million in 2009. The increase was due to the significantly higher gross contribution from our three business segments in 2010, which increased 15% year-over-year, to \$742.3 million in 2010 from \$642.9 million in 2009. The increased gross contribution was partially offset by higher charges in 2010 for SG&A as well as higher intangible amortization and acquisition and integration charges related to our acquisitions. Operating income as a percentage of revenues was 12% for both 2010 and 2009.

Please refer to the section of this MD&A entitled **Segment Results** below for a further discussion of revenues and results by segment.

INTEREST EXPENSE, NET was \$15.6 million in 2010 and \$16.0 million in 2009, a 3% decline. The 2010 period includes \$3.7 million of incremental expense related to the refinancing of our debt in December 2010 (See Note 6 Debt in the Notes to the Consolidated Financial Statements). Excluding the \$3.7 million incremental charge, Interest expense, net would have declined approximately 26% year-over-year, due to lower average debt outstanding and a lower weighted-average rate.

OTHER INCOME (EXPENSE), NET was \$0.4 million in 2010 and consisted of a \$2.4 million gain for an insurance recovery related to a prior period loss offset by net foreign currency exchange losses. The \$(2.9) expense in 2009 primarily consisted of net foreign currency exchange losses.

PROVISION FOR INCOME TAXES was \$37.8 million in 2010 compared to \$32.6 million in 2009 and the effective tax rate was 28.2% for both periods. Year-over-year increases in the rate attributable to higher financial statement cost of repatriation and higher net reserve increases were substantially offset by reductions in the rate year over year attributable to larger releases of valuation allowances.

The Internal Revenue Service (IRS) has completed its examination of the federal income tax return of the Company for the tax year ended December 31, 2007. In December 2010, the Company received a report of the audit findings. The Company disagrees with certain of the proposed adjustments and intends to vigorously dispute this matter through applicable IRS and judicial procedures, as appropriate. The Company believes that it has recorded reserves sufficient to cover exposures related to these issues. However, the resolution of such matters involves uncertainties and there are no assurances that the ultimate resolution will not exceed the amounts recorded. Although the final resolution of the proposed adjustments is uncertain, we believe the ultimate disposition of this matter will not have a material adverse effect on our consolidated financial position, cash flows, or results of operations.

NET INCOME was \$96.3 million in 2010 and \$83.0 million in 2009, an increase of \$13.3 million, or 16%, primarily due to a \$14.8 million year-over-year increase in operating income. We also had a \$0.4 million gain from other income (expense) activity in 2010 compared to a loss of \$(2.9) million in 2009, as well as slightly lower interest expense in 2010. These increases were partially offset by higher income tax charges in 2010.

Basic earnings per share increased 15% year-over-year while diluted earnings per share increased 13% year-over-year. The increased earnings per share were due to the higher net income in 2010, which was slightly reduced by higher weighted-average shares outstanding in 2010.

2009 VERSUS 2008

TOTAL REVENUES for the twelve months ended December 31, 2009 decreased \$139.3 million, or 11%, compared to the twelve months ended December 31, 2008. Revenues declined across all of our geographic regions and in all three of our business segments. The impact of foreign currency had a negative impact on our revenues in 2009, and excluding this impact, total revenues in 2009 were down 8% compared to 2008. Our revenues and operating results were negatively impacted by global economic conditions in 2009.

An overview of our results by geographic region follows:

Revenues from sales to United States and Canadian clients decreased 8%, to \$663.8 million in 2009 from \$723.2 million in 2008.

Revenues from sales to clients in Europe, the Middle East and Africa (EMEA) decreased to \$360.8 million in 2009 from \$430.4 million in 2008, a 16% decrease.

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Revenues from sales to clients in our Other International region decreased 8%, to \$115.2 million in 2009 from \$125.4 million in 2008.

An overview of our results by segment follows:

Research revenues decreased 4% in 2009 to \$752.5 million compared to \$781.6 million in 2008, and comprised approximately 66% and 61% of our total revenues in 2009 and 2008, respectively.

Consulting revenues decreased 17% in 2009 to \$286.8 million, compared to \$347.4 million in 2008, and comprised approximately 25% and 27% of our total revenues in 2009 and 2008, respectively.

Events revenues were \$100.4 million in 2009, a decrease of 33% from \$150.1 million in 2008, and comprised approximately 9% and 12% of our total revenues in 2009 and 2008, respectively.

Please refer to the section of this MD&A below entitled **Segment Results** for a further discussion of revenues and results by segment.

COST OF SERVICES AND PRODUCT DEVELOPMENT decreased \$73.8 million year-over-year, or 13%. The favorable impact of foreign currency translation reduced expense by about \$19.0 million. We had lower conference expenses of \$18.5 million primarily due to discontinued events. We also had reduced travel and internal meeting charges of \$16.7 million and lower personnel costs of about \$12.5 million, primarily due to our tight cost controls. The remaining \$7.1 million net decrease was spread across a number of other expense categories. Cost of services and product development as a percentage of sales declined by 1 point, to 44% in 2009 from 45% in 2008, primarily due to tight expense controls across our businesses.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) expense decreased by about \$38.0 million in 2009, or 7%, compared to 2008, despite increasing our sales force. The impact of foreign currency translation reduced expense by about \$18.0 million. We also had lower travel, internal meeting, and recruiting costs of about \$19.0 million, again due to our tight cost controls. The remaining net reduction was spread across a number of other expense categories.

Excluding the 60 sales associates that joined us from AMR Research and Burton Group, we had 942 quota-bearing sales associates at December 31, 2009, a 2% increase from the prior year end. This additional investment in sales associates resulted in \$9.0 million of higher payroll and benefits costs, which was offset by lower G&A charges. **DEPRECIATION** expense decreased 2% year-over-year which reflects reduced capital spending during 2009. Capital spending decreased to \$15.1 million in 2009 from \$24.3 million in 2008, a 38% decline, which reflects the Company's reduced 2009 capital expenditures.

AMORTIZATION OF INTANGIBLES was \$1.6 million for both 2009 and 2008.

ACQUISITION AND INTEGRATION CHARGES was \$2.9 million in 2009 and zero in 2008. Included in these charges are legal fees and consultant fees in connection with the acquisitions and integration of AMR Research and Burton Group, as well as severance costs related to redundant headcount.

OPERATING INCOME decreased 18% year-over-year, to \$134.5 million in 2009 from \$164.4 million in 2008.

Operating income as a percentage of revenues declined 1 point year-over-year, primarily due to lower profitability in our Consulting and Events segments and the \$2.9 million acquisition and integration charge related to AMR Research and Burton Group.

Please refer to the section of this MD&A entitled **Segment Results** below for a further discussion of revenues and results by segment.

INTEREST EXPENSE, NET was \$16.0 million in 2009 and \$19.3 million in 2008, a 17% decline. The 2009 period includes \$1.1 million of expense related to the discontinuance of hedge accounting on an interest rate swap contract (See Note 6 **Debt** in the Notes to the Consolidated Financial Statements). Excluding the \$1.1 million charge, Interest expense, net would have declined approximately 22% year-over-year. The year-over-year decline is primarily attributable to a reduction in the weighted-average amount of debt outstanding.

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OTHER (EXPENSE) INCOME, NET of \$(2.9) million in 2009 consisted of net foreign currency exchange losses. The \$(0.4) million Other expense in 2008 primarily consisted of a \$1.2 million gain related to the settlement of a litigation matter offset by net foreign currency exchange losses.

PROVISION FOR INCOME TAXES on continuing operations was \$32.6 million in 2009 as compared to \$47.6 million in 2008. The effective tax rate was 28.2% in 2009 and 32.9% in 2008. The lower effective tax rate in 2009 as compared to 2008 is attributable to several items. The most significant of these items include the following: (a) the release of reserves for uncertain tax positions relating to the expiration of statutes of limitation was larger in 2009 than in 2008 while pretax income was lower, and (b) differences relating to the taxability of life insurance contracts year-over-year.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAXES, includes the results of the Company's Vision Events business, which we sold in early 2008. The \$6.7 million of income for 2008 includes a net gain on sale of approximately \$7.1 million and a \$(0.4) million operating loss.

NET INCOME was \$83.0 million in 2009 and \$103.9 million in 2008, a decline of \$20.9 million or 20%. The decline was primarily driven by the reduced contributions by our three business segments in the 2009 period and to a lesser extent, the \$2.9 million acquisition and integration charge we recorded related to AMR Research and Burton Group. These decreases were partially offset by lower SG&A charges, a lower effective income tax rate, and reduced interest expense. Also contributing to the year-over-year decline in net income was the \$6.7 million net gain from the sale of the Company's former Vision Events business recorded in the 2008 period.

Basic earnings per share from continuing operations decreased 14% year-over-year. Diluted earnings per share from continuing operations decreased 13% year-over-year.

SEGMENT RESULTS

We evaluate reportable segment performance and allocate resources based on gross contribution margin. Gross contribution is defined as operating income excluding certain Cost of services and product development charges, and SG&A, Depreciation, Acquisition and integration charges, Amortization of intangibles, and Other charges. Gross contribution margin is defined as gross contribution as a percentage of revenues.

The following sections present the results of our three segments:

Research

| | 2010 vs. 2009 | | | | 2009 vs. 2008 | | | |
|------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------|--------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------|--------------------------------------|
| | As Of And For The Twelve Months Ended December 31, 2010 | As Of And For the Twelve Months Ended December 31, 2009 | Increase (Decrease) | Percentage Increase (Decrease) | As Of And For The Twelve Months Ended December 31, 2009 | As Of And For the Twelve Months Ended December 31, 2008 | Increase (Decrease) | Percentage Increase (Decrease) |
| Financial Measurements: (1) | | | | | | | | |
| Revenues (2) | \$ 865,000 | \$ 752,505 | \$ 112,495 | 15% | \$ 752,505 | \$ 781,581 | \$ (29,076) | (4)% |
| Gross contribution (2) | \$ 564,527 | \$ 489,862 | \$ 74,665 | 15% | \$ 489,862 | \$ 495,440 | \$ (5,578) | (1)% |
| Gross contribution margin | 65% | 65% | | | 65% | 63% | 2 points | |
| Business Measurements: (3) | | | | | | | | |
| Contract value (2) | \$ 977,710 | \$ 784,443 | \$ 193,267 | 25% | \$ 784,443 | \$ 834,321 | \$ (49,878) | (6)% |
| Client retention | 83% | 78% | 5 points | | 78% | 82% | 4 points | (8) |
| Wallet retention | 98% | 87% | 11 points | | 87% | 95% | 8 points | (8) |
| Exec. program members | 4,297 | 3,651 | 646 | 18% | 3,651 | 3,733 | (82) | (2)% |

- (1) The operating results of AMR Research and Burton Group are included beginning on their respective dates of acquisition in December 2009. The operating results of these businesses were not material to the Research segment in 2009.
- (2) Dollars in thousands.
- (3) The 2009 and 2008 metrics exclude AMR Research and Burton Group.

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Research revenues increased 15% in 2010, but excluding the favorable effect of foreign currency translation, revenues increased 14%. Approximately 39% of the \$112.5 million revenue increase was attributable to the AMR Research and Burton Group businesses. The segment gross contribution margin was flat at 65%, despite additional headcount expenses from the AMR Research and Burton Group businesses.

Research contract value was \$977.7 million at December 31, 2010, an increase of 25% compared to December 31, 2009 and the highest reported contract value in the Company's history. Excluding the favorable impact of foreign currency translation, research contract value increased 20% over 2009. We attribute the increase to our continuing focus on sales effectiveness and the improving economic environment. The increase is also due to the AMR Research and Burton Group businesses, which contributed approximately 30% of the \$193.3 million increase in contract value. Client retention and wallet retention improved 5 points and 11 points, respectively.

2009 VERSUS 2008

Research revenues declined 4% year-over-year, but excluding the unfavorable effect of foreign currency translation, Research revenues were down about 1%.

In spite of lower revenues, the Research contribution margin increased 2 points year-over-year. The improved margin was primarily driven by tight cost controls, which resulted in lower costs concentrated in personnel, travel, and internal meetings, and our ability to implement price increases for our products.

Contract value decreased 6% when comparing December 31, 2009 to December 31, 2008, but excluding the impact of foreign currency translation, contract value was down 1% year-over-year.

While down year-over-year, contract value increased \$42.0 million in the fourth quarter of 2009, or 6%, with growth across all industries, geographies, and client sizes. We believe the increase reflects both improved sales effectiveness as well as an improving economic environment.

Consulting

| | 2010 vs. 2009 | | | | 2009 vs. 2008 | | | |
|----------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------|--------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------|--------------------------------------|
| | As Of And For the Twelve Months Ended December 31, 2010 | As Of And For the Twelve Months Ended December 31, 2009 | Increase (Decrease) | Percentage Increase (Decrease) | As Of And For the Twelve Months Ended December 31, 2009 | As Of And For the Twelve Months Ended December 31, 2008 | Increase (Decrease) | Percentage Increase (Decrease) |
| Financial Measurements: (1) | | | | | | | | |
| Revenues (2) | \$ 302,117 | \$ 286,847 | \$ 15,270 | 5% | \$ 286,847 | \$ 347,404 | \$ (60,557) | (17)% |
| Gross contribution (2) | \$ 121,885 | \$ 112,099 | \$ 9,786 | 9% | \$ 112,099 | \$ 141,395 | \$ (29,296) | (21)% |
| Gross contribution margin | 40% | 39% | 1 point | | 39% | 41% | (2) points | |
| Business Measurements: (3) | | | | | | | | |
| Backlog (2) | \$ 100,839 | \$ 90,891 | \$ 9,948 | 11% | \$ 90,891 | \$ 97,169 | \$ (6,278) | (6)% |
| Billable headcount | 473 | 442 | 31 | 7% | 442 | 499 | (57) | (11)% |
| Consultant utilization | 68% | 68% | | | 68% | 72% | points | (4) |
| Average annualized revenue per billable headcount (2) | \$ 424 | \$ 409 | \$ 15 | 4% | \$ 409 | \$ 460 | \$ (51) | (11)% |

(1) The operating results of AMR Research and Burton Group are included beginning on their respective dates of acquisition in December 2009. The operating results of these businesses were not material to the Consulting

segment in 2009.

(2) Dollars in thousands.

(3) The 2009 and 2008 metrics exclude AMR Research and Burton Group.

Table of Contents**2010 VERSUS 2009**

Consulting revenues increased 5% in 2010, but excluding the unfavorable impact of foreign currency translation, revenues increased 6%. The AMR Research and Burton Group businesses added approximately 35% of the \$15.3 million revenue increase. The gross contribution margin improved by 1 point, primarily due to additional revenues in our contract optimization and SAS businesses, both of which have higher margins than core consulting. Consulting billable headcount was 473 at December 31, 2010, an increase of 7% year-over-year. Backlog was \$100.8 million at December 31, 2010, and increase of \$9.9 million or 11% over the prior year. Backlog increased across all of our geographic regions. The AMR Research and Burton Group businesses added approximately \$0.3 million of the increase.

2009 VERSUS 2008

Consulting revenues declined 17% when comparing 2009 with 2008, with the majority of the decline in core consulting, and to a lesser extent, in our SAS and contract optimization businesses. The decline in core consulting was driven by lower headcount, utilization, and billing rates. The decline in revenue in our contract optimization business reflects a large contract received at the end of 2008 which was not repeated in 2009. SAS revenues declined due to approximately 17% fewer fulfilled SAS days. Excluding the unfavorable impact of foreign currency, overall Consulting revenues were down about 15%.

The 2 point decline in the Consulting contribution margin reflects lower revenue in our SAS and contract optimization businesses, which have higher margins than core consulting. To a lesser extent, the decline also reflects lower utilization and billing rates in core consulting.

We ended 2009 with 442 billable consultants, a decline of 11% from the prior year end as we tightly managed resources to match demand. The decline reflects normal attrition as well as the termination of approximately 30 consultants in January 2009 to better align our delivery resources with lower backlog.

Consulting backlog declined 6% year-over-year but increased 7% sequentially in the fourth quarter of 2009 to \$90.9 million, as demand for our consulting services was solid in the U.S. while demand in Europe lagged.

Events

| | 2010 vs. 2009 | | | | 2009 vs. 2008 | | | |
|------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------|--------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------|--------------------------------------|
| | As Of And For the Twelve Months Ended December 31, 2010 | As Of And For the Twelve Months Ended December 31, 2009 | Increase (Decrease) | Percentage Increase (Decrease) | As Of And For the Twelve Months Ended December 31, 2009 | As Of And For the Twelve Months Ended December 31, 2008 | Increase (Decrease) | Percentage Increase (Decrease) |
| Financial Measurements: (1) | | | | | | | | |
| Revenues (2) | \$ 121,337 | \$ 100,448 | \$ 20,889 | 21% | \$ 100,448 | \$ 150,080 | \$ (49,632) | (33)% |
| Gross contribution (2) | \$ 55,884 | \$ 40,945 | \$ 14,939 | 37% | \$ 40,945 | \$ 64,954 | \$ (24,009) | (37)% |
| Gross contribution margin | 46% | 41% | 5 points | | 41% | 43% | (2) points | |
| Business Measurements: (3) | | | | | | | | |
| Number of events | 56 | 54 | 2 | 4% | 54 | 70 | (16) | (23)% |
| Number of attendees | 37,219 | 30,610 | 6,609 | 22% | 30,610 | 41,352 | (10,742) | (26)% |

(1) The operating results of AMR Research and Burton Group are included beginning on their respective dates of acquisition in December 2009. The operating results of these businesses were not material to the Events segment in 2009.

(2) Dollars in thousands.

(3) The 2009 and 2008 metrics exclude AMR Research and Burton Group.

2010 VERSUS 2009

Events revenues increased \$20.9 million in 2010, or 21%, compared to 2009, with little impact from foreign currency translation. We held 2 additional events in 2010, for a total of 56 events, which consisted of 48 ongoing events and 8 new event launches. We

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discontinued 6 events that had been held in prior years. We had a 22% increase in attendees and a 24% increase in exhibitors, while average revenue increased 12% for attendees but was down slightly for exhibitors. Revenues increased \$21.1 million and \$5.2 million from our ongoing and new events, respectively, which was partially offset by a \$5.4 million revenue loss from discontinued events.

The gross contribution margin increased 5 points, primarily due to higher contribution from our ongoing events, reflecting the strength in attendee volume and average revenue per attendee as well as higher exhibitor volume.

2009 VERSUS 2008

Events revenue was down \$49.6 million, or 33% in 2009 due to the impact of discontinued events and a decline in revenue from our on-going events. We held 54 events in 2009, a decline of 16 events compared to the prior year. The 54 events held in 2009 consisted of 51 on-going events and 3 new events. The number of attendees at our 51 on-going events was down 12% while the number of exhibitors was down 31%. Excluding the unfavorable impact of foreign currency, Events revenues were down 32% year-over-year.

Approximately \$24.0 million of the revenue decrease was due to 19 discontinued events, including our Spring Symposium, which was a significant event in prior years. We discontinued these events in 2009 in response to the difficult operating environment, with tight travel restrictions and budget cuts at many companies due to the weak economy. We also had a \$30.0 million decline in revenue from our 51 on-going events. These declines were slightly offset by approximately \$4.0 million in higher revenue from new event launches and other miscellaneous events revenues. The Events contribution margin was down 2 points year-over-year primarily due to lower average attendee and exhibitor revenue at our 51 on-going events.

While the number of attendees was down significantly year-over-year, this trend began to show improvement in the fourth quarter of 2009 with attendance at our on-going events up 2%. We also began to see improvement in exhibitor participation. We believe these trends reflect a loosening of corporate travel budgets, resumed growth in marketing spend by technology companies, and our continuing efforts to increase client retention by enhancing the value and experience that our clients derive from our events.

LIQUIDITY AND CAPITAL RESOURCES

On December 22, 2010, the Company entered into a new credit facility with a syndication of banks led by JPMorgan Chase to take advantage of favorable financing conditions and to obtain greater financial flexibility and liquidity through a larger revolving credit facility. The new credit arrangement provides for a five-year, \$200.0 million term loan and a \$400.0 million revolving credit facility. The new credit facility contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company's option and under certain conditions, by up to an additional \$150.0 million in the aggregate.

We finance our operations primarily through cash generated from our on-going operating activities, and our 2010 operating cash flow increased 27% over the prior year. As of December 31, 2010, we had \$120.2 million of cash and cash equivalents and \$376.0 million of available borrowing capacity under our revolving credit facility. Our cash and cash equivalents are held in numerous locations throughout the world, with approximately 75% held outside the United States as of December 31, 2010.

We believe that we have adequate liquidity and that the cash we expect to earn from our on-going operating activities, our existing cash balances, and the expanded borrowing capacity we have under our revolving credit facility will be sufficient for our expected short-term and foreseeable long-term operating needs.

The following table summarizes the Company's changes in cash and cash equivalents for the three years ending December 31, 2010:

| 2010 vs. 2009 | | | 2009 vs. 2008 | | |
|------------------------------------|------------------------------------|--------------------------------|------------------------------------|------------------------------------|--------------------------------|
| Twelve Months Ended | Twelve Months Ended | Dollar | Twelve Months Ended | Twelve Months Ended | Dollar |
| December 31, 2010 | December 31, 2009 | Increase (Decrease) | December 31, 2009 | December 31, 2008 | Increase (Decrease) |

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| | | | | | | |
|---------------------------------------|------------|------------|-----------|------------|------------|-------------|
| Cash provided by operating activities | \$ 205,499 | \$ 161,937 | \$ 43,562 | \$ 161,937 | \$ 184,350 | \$ (22,413) |
| Cash used by investing activities | (33,845) | (119,665) | 85,820 | (119,665) | (16,455) | (103,210) |
| Cash used in financing activities | (171,556) | (73,780) | (97,776) | (73,780) | (119,835) | 46,055 |
| Net increase (decrease) | 98 | (31,508) | 31,606 | (31,508) | 48,060 | (79,568) |
| Effects of exchange rates | 3,509 | 7,153 | (3,644) | 7,153 | (17,076) | 24,229 |
| Beginning cash and cash equivalents | 116,574 | 140,929 | (24,355) | 140,929 | 109,945 | 30,984 |
| Ending cash and cash equivalents | \$ 120,181 | \$ 116,574 | \$ 3,607 | \$ 116,574 | \$ 140,929 | \$ (24,355) |

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2010 VERSUS 2009

Operating

Our 2010 operating cash flow increased by \$43.6 million, or 27%, primarily due to the \$13.3 million increase in net income, a \$9.0 million decrease in cash payments for income taxes, and a \$12.1 million decrease in payments for severance, interest payments on our debt, and excess facilities. We also received \$2.4 million in cash in 2010 from an insurance recovery, and approximately \$19.8 million of improvements in our working capital accounts, which includes increased cash collections on our receivables. Partially offsetting these increases were \$8.0 million in acquisition and integration payments made in 2010 related to the acquisitions of AMR Research and Burton Group and \$5.0 million more in 2010 bonus payments.

Investing

Cash used in our investing activities declined by \$85.8 million in 2010 due to the acquisitions of AMR Research and Burton Group in 2009. We paid \$104.5 million in cash for these acquisitions in December 2009 and an additional \$12.2 million in January 2010. We used \$21.7 million of cash in 2010 for capital expenditures compared to \$15.1 million in the 2009 period, an increase of \$6.6 million, or 43%.

Financing

Cash used in our financing activities was \$97.8 million higher in 2010 compared to 2009, with a total of \$171.6 million used in 2010 compared to \$73.8 million used in 2009. The additional cash used was due to higher debt repayments and additional share repurchases in 2010.

On a net basis, we repaid \$108.8 million of debt in 2010 compared to \$87.3 million in the prior year, an increase in cash used of \$21.6 million. We used \$99.8 million of cash for share repurchases in 2010 compared to \$3.7 million in 2009, an increase in cash used of \$96.1 million. We also paid \$4.8 million in cash in 2010 for fees related to our debt refinancing. Partially offsetting these higher uses of cash was an additional \$24.7 million in cash realized from option exercises and excess tax benefits as a higher average stock price in 2010 resulted in a significantly increased number of option exercises.

2009 VERSUS 2008

Operating

Our operating cash flow decreased by 12% in 2009, or \$22.4 million. We had a decline of approximately \$23.0 million in cash from our core operations, along with \$14.5 million more in cash taxes paid and \$8.0 million in higher severance payments due to the workforce reduction completed in early January 2009. Partially offsetting the declines were \$14.8 million in lower interest payments on our debt, bonus payments, and payments on our excess facilities, and an \$8.3 million improvement in working capital. The improved working capital primarily reflects improved cash collection on receivables.

Investing

We used an additional \$103.2 million of cash in our investing activities in 2009 due to the \$104.5 million of cash used for the acquisitions of AMR Research and Burton Group. We had \$15.1 million of capital expenditures in 2009, a decline of 38% compared to the \$24.3 million of capital expenditures in 2008. The decline reflects the Company's tight focus on reducing costs. We also realized \$7.8 million of cash proceeds in 2008 from the sale of our Vision Events business.

Financing

Cash used in financing activities declined by \$46.1 million, primarily due to a significant decline in the use of cash for stock repurchases. Cash used for stock repurchases declined by about \$197.1 million. Offsetting the decline in cash used for share repurchases was an increase in the use of cash to repay debt of about \$108.7 million and a decline in cash proceeds from option exercises and excess tax benefits from equity compensation of approximately \$42.3 million.

Table of Contents**OBLIGATIONS AND COMMITMENTS**

At December 31, 2010, we had \$220.0 million outstanding under our 2010 Credit Agreement which provides for a five-year, \$200.0 million term loan and a \$400.0 million revolving credit facility. The 2010 Credit Agreement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company's option and under certain conditions, by up to an additional \$150.0 million in the aggregate.

The term loan will be repaid in 19 consecutive quarterly installments commencing March 31, 2011, plus a final payment due on December 22, 2015, and may be prepaid at any time without penalty or premium at the Company's option. The revolving credit facility may be used for loans, and up to \$40.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and re-borrowed until December 22, 2015, at which time all amounts borrowed must be repaid. See Note 6 Debt in the Notes to the Consolidated Financial Statements for additional information regarding the 2010 Credit Agreement.

Commitments

The following table presents our contractual cash commitments due after December 31, 2010 (in thousands):

| Commitment Type: | Less Than 1 Year | 2-3 Years | 4-5 Years | More Than 5 Years | Total |
|---------------------------------------|-------------------------|-------------------|-------------------|--------------------------|-------------------|
| Operating leases (1) | \$ 30,775 | \$ 43,300 | \$ 27,875 | \$ 66,640 | \$ 168,590 |
| Debt outstanding (2) | 20,000 | 70,000 | 130,156 | | 220,156 |
| Deferred compensation arrangement (3) | 1,930 | 4,230 | 2,865 | 17,265 | 26,290 |
| Tax liabilities (4) | 1,275 | | | | 1,275 |
| Totals | \$ 53,980 | \$ 117,530 | \$ 160,896 | \$ 83,905 | \$ 416,311 |

- (1) The Company leases various facilities, furniture, and computer equipment expiring between 2011 and 2025.
- (2) Represents amounts due under the 2010 Credit Agreement. Amounts drawn under the revolver credit arrangement have been classified in the 4-5 Years category since the amounts are not contractually due until December 2015.

Interest payments on our outstanding debt are excluded from the amounts payable due to the variable nature of the interest rates and resulting payment amounts. Information regarding current interest rates on the Company's debt is contained in Note 6 Debt in the Notes to the Consolidated Financial Statements. For the years ended December 31, 2010, 2009 and 2008, we paid cash interest on our debt of \$11.5 million, \$13.9 million, and \$22.4 million, respectively.

- (3) Represents the Company's liability to participants in the supplemental deferred compensation arrangement. Amounts payable to active employees whose payment date is unknown have been included in the More Than 5 Years category since the Company cannot determine when the amounts will be paid.
- (4) Includes interest and penalties. In addition to the \$1.3 million liability, approximately \$15.8 million of unrecognized tax benefits have been recorded as liabilities, and we are uncertain as to if or when such amounts may be settled. Related to the unrecognized tax benefits not included in the table, the Company has also recorded a liability for potential interest and penalties of \$2.5 million.

QUARTERLY FINANCIAL DATA

The following tables present our quarterly operating results for the two year period ended December 31, 2010:

| 2010 (In thousands, except per share data) | First | Second | Third | Fourth |
|-----------------------------------------------|------------|------------|------------|------------|
| Revenues | \$ 295,833 | \$ 314,195 | \$ 296,122 | \$ 382,304 |
| Operating income | 29,198 | 34,230 | 32,763 | 53,074 |
| Net income | 19,403 | 20,113 | 20,075 | 36,694 |
| Net income per share (1) | | | | |
| Basic | \$ 0.20 | \$ 0.21 | \$ 0.21 | \$ 0.38 |
| Diluted | \$ 0.19 | \$ 0.20 | \$ 0.20 | \$ 0.37 |

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| 2009 (In thousands, except per share data) | First | Second | Third | Fourth |
|-----------------------------------------------|------------|------------|------------|------------|
| Revenues | \$ 273,533 | \$ 269,971 | \$ 267,469 | \$ 328,827 |
| Operating income | 34,451 | 30,761 | 27,521 | 41,744 |
| Net income | 19,996 | 17,185 | 20,067 | 25,716 |
| Net income per share (1) | | | | |
| Basic | \$ 0.21 | \$ 0.18 | \$ 0.21 | \$ 0.27 |
| Diluted | \$ 0.21 | \$ 0.18 | \$ 0.21 | \$ 0.26 |

(1) The aggregate of the four quarters' basic and diluted earnings per common share may not equal the reported full calendar year amounts due to the effects of share repurchases, dilutive equity compensation, and rounding.

NEW ACCOUNTING STANDARDS

Accounting guidance issued by the various standard setting and governmental authorities that have not yet become effective with respect to our Consolidated Financial Statements are described below, together with our assessment of the potential impact they may have on our Consolidated Financial Statements:

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures*. ASU 2010-06 requires fair value hierarchy disclosures to be further disaggregated by class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the balance sheet. In addition, significant transfers between Levels 1 and 2 of the fair value hierarchy are required to be disclosed. These additional disclosure requirements became effective January 1, 2010. In general, we do not anticipate transfers between the different levels of the fair value hierarchy, and for the year ended December 31, 2010, there were none. Our required fair value disclosures are presented in Note 12 *Fair Value Disclosures*, herein in the Notes to the Consolidated Financial Statements. Beginning January 1, 2011, the FASB will also require additional disclosures regarding changes in Level 3 instruments. The Company currently does not have any Level 3 instruments.

In September 2009, the FASB issued ASU 2009-13, *Revenue Arrangements with Multiple Deliverables*. ASU 2009-13 requires companies to allocate revenue in arrangements involving multiple deliverables based on the estimated selling price of each deliverable, even though such deliverables are not sold separately either by the company itself or other vendors. ASU 2009-13 eliminates the requirement that all undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the overall arrangement fee that is attributable to items that already have been delivered. As a result, the new guidance is expected to allow some companies to recognize revenue on transactions that involve multiple deliverables earlier than under current requirements. ASU 2009-13 will be effective for Gartner beginning January 1, 2011. The Company's multiple revenue arrangements are limited and as a result we do not expect any impact on our Consolidated Statement of Operations related to the adoption of this guidance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**INTEREST RATE RISK**

We have exposure to changes in interest rates arising from borrowings under our 2010 Credit Agreement, and at December 31, 2010 we had \$200.0 million outstanding under the term loan and \$20.0 million outstanding under the revolver. Borrowings under this facility are floating rate, which may be either prime-based or Eurodollar-based. Interest rates under these borrowings include a base rate plus a margin between 0.50% and 1.25% on prime borrowings and between 1.50% and 2.25% on Eurodollar-based borrowings.

As of December 31, 2010, the annualized interest rate on the term loan was 2.30%, which consisted of a 0.3% three-month Eurodollar base rate plus a margin of 2.0%, and 2.26% on the revolver, which consisted of a 0.26% one-month Eurodollar base rate plus a margin of 2.0%. We have an interest rate swap contract which effectively converts the floating base rate on the first \$200.0 million of our borrowings to a 2.26% fixed rate.

The Company only hedges the base interest rate risk on the first \$200.0 million of its outstanding borrowings. Accordingly, we are exposed to interest rate risk on borrowings in excess of \$200.0 million. A 25 basis point increase or decrease in interest rates would change pre-tax annual interest expense on the additional \$400.0 million borrowing capacity under the 2010 Credit Agreement by approximately \$1.0 million.

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FOREIGN CURRENCY EXCHANGE RISK

We have customers in 85 countries and 44% and 45% of our revenues for 2010 and 2009, respectively, were derived from sales outside of the U.S. As a result we conduct business in numerous currencies other than the U.S. dollar.

Among the major foreign currencies in which we conduct business are the Euro, the British Pound, the Japanese Yen, the Australian dollar, and the Canadian dollar. Our foreign currency exposure results in both translation risk and transaction risk:

TRANSLATION RISK

We are exposed to foreign currency translation risk since the functional currencies of our foreign operations are generally denominated in the local currency. Translation risk arises since the assets and liabilities that we report for our foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates, and these exchange rates fluctuate over time. These foreign currency translation adjustments are deferred and are recorded as a component of stockholders' equity and do not impact our operating results.

A measure of the potential impact of foreign currency translation on our Condensed Consolidated Balance Sheets can be determined through a sensitivity analysis of our cash and cash equivalents. As of December 31, 2010, we had over \$120.0 million of cash and cash equivalents, a substantial portion of which was denominated in foreign currencies. If the foreign exchange rates of the major currencies in which we operate changed in comparison to the U.S. dollar by 10%, the amount of cash and cash equivalents we would have reported on December 31, 2010 would have increased or decreased by approximately \$5.0 million.

Because our foreign subsidiaries generally operate in a local functional currency that differs from the U.S. dollar, revenues and expenses in these foreign currencies translate into higher or lower revenues and expenses in U.S. dollars as the U.S. dollar continuously weakens or strengthens against these other currencies. Therefore, changes in exchange rates may affect our consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations.

Historically, this impact on our consolidated earnings has not been material since foreign currency movements in the major currencies in which we operate tend to impact our revenues and expenses fairly equally.

TRANSACTION RISK

We also have foreign exchange transaction risk since we typically enter into transactions in the normal course of business that are denominated in foreign currencies that differ from the local functional currency in which the foreign subsidiary operates.

We typically enter into foreign currency forward exchange contracts to offset the effects of foreign currency transaction risk. These contracts are normally short term in duration and unrealized and realized gains and losses are recognized in current period earnings. At December 31, 2010, we had 63 outstanding foreign currency forward contracts with a total notional amount of \$250.2 million and a net unrealized gain of \$0.6 million. All of these contracts matured by the end of January 2011.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of short-term, highly liquid investments classified as cash equivalents, accounts receivable, and interest rate swap contracts. The majority of the Company's cash and cash equivalents and its interest rate swap contract are with investment grade commercial banks that are participants in the Company's 2010 Credit Agreement. Accounts receivable balances deemed to be collectible from customers have limited concentration of credit risk due to our diverse customer base and geographic dispersion.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements for 2010, 2009, and 2008, together with the reports of KPMG LLP, our independent registered public accounting firm, are included herein in this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Management conducted an evaluation, as of December 31, 2010, of the effectiveness of the design and operation of our disclosure controls and procedures, (as such term is defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) under the supervision and with the participation of our chief executive officer and chief financial officer. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material Company information required to be disclosed by us in reports filed or submitted under the Act.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Gartner management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Gartner's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment was reviewed with the Audit Committee of the Board of Directors. Based on its assessment of internal control over financial reporting, management has concluded that, as of December 31, 2010, Gartner's internal control over financial reporting was effective.

The effectiveness of management's internal control over financial reporting as of December 31, 2010 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K in Part IV, Item 15.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be furnished pursuant to this item will be set forth under the captions Proposal One: Election of Directors, Executive Officers, Corporate Governance, Section 16(a) Beneficial Ownership Reporting Compliance and Miscellaneous Available Information in the Company's Proxy Statement to be filed with the SEC no later than April 30, 2011. If the Proxy Statement is not filed with the SEC by April 30, 2011, such information will be included in an amendment to this Annual Report filed by April 30, 2011. See also Item 1. Business Available Information.

ITEM 11. EXECUTIVE COMPENSATION.

The information required to be furnished pursuant to this item is incorporated by reference from the information set forth under the caption Executive Compensation in the Company's Proxy Statement to be filed with the SEC no later than April 30, 2011. If the Proxy Statement is not filed with the SEC by April 30, 2011, such information will be included in an amendment to this Annual Report filed by April 30, 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required to be furnished pursuant to this item will be set forth under the caption Security Ownership of Certain Beneficial Owners and Management in the Company's Proxy Statement to be filed with the SEC by April 30, 2011. If the Proxy Statement is not filed with the SEC by April 30, 2011, such information will be included in an amendment to this Annual Report filed by April 30, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required to be furnished pursuant to this item will be set forth under the captions Transactions With Related Persons and Corporate Governance Director Independence in the Company's Proxy Statement to be filed with the SEC by April 30, 2011. If the Proxy Statement is not filed with the SEC by April 30, 2011, such information will be included in an amendment to this Annual Report filed by April 30, 2011.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required to be furnished pursuant to this item will be set forth under the caption Principal Accountant Fees and Services in the Company's Proxy Statement to be filed with the SEC no later than April 30, 2011. If the Proxy Statement is not filed with the SEC by April 30, 2011, such information will be included in an amendment to this Annual Report filed by April 30, 2011.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) 1. and 2. Consolidated Financial Statements and Schedules

The reports of our independent registered public accounting firm and consolidated financial statements listed in the Index to Consolidated Financial Statements herein are filed as part of this report.

All financial statement schedules not listed in the Index have been omitted because the information required is not applicable or is shown in the consolidated financial statements or notes thereto.

3. Exhibits

EXHIBIT

NUMBER DESCRIPTION OF DOCUMENT

| | |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1a(1) | Restated Certificate of Incorporation of the Company. |
| 3.2(2) | Bylaws as amended through May 1, 2007. |
| 4.1(1) | Form of Certificate for Common Stock as of June 2, 2005. |
| 4.2* | Credit Agreement, dated as of December 22, 2010, among the Company, the several lenders from time to time parties thereto, and JPMorgan Chase Bank, N.A. as administrative agent |
| 10.1(3) | Lease dated April 16, 2010 between Soundview Farms and the Company for premises at 56 Top Gallant Road, 70 Gatehouse Road, and 88 Gatehouse Road, Stamford, Connecticut. |
| 10.2(3) | First Amendment to Lease dated April 16, 2010 between Soundview Farms and the Company for premises at 56 Top Gallant Road, 70 Gatehouse Road, and 88 Gatehouse Road, Stamford, Connecticut. |
| 10.3(4)+ | 1991 Stock Option Plan as amended and restated on October 19, 1999. |
| 10.4(5)+ | 2002 Employee Stock Purchase Plan, as amended and restated effective June 1, 2008. |
| 10.5(6)+ | 1999 Stock Option Plan. |
| 10.6(7)+ | 2003 Long-Term Incentive Plan, as amended and restated on June 4, 2009. |
| 10.7(8)+ | Amended and Restated Employment Agreement between Eugene A. Hall and the Company dated as of December 31, 2008. |
| 10.8(8)+ | Company Deferred Compensation Plan, effective January 1, 2009. |
| 10.9(9)+ | Form of Stock Appreciation Right Agreement for executive officers. |
| 10.10(9)+ | Form of Performance Stock Unit Agreement for executive officers. |
| 21.1* | Subsidiaries of Registrant. |
| 23.1* | Consent of Independent Registered Public Accounting Firm |
| 24.1 | Power of Attorney (see Signature Page). |

31.1* Certification of chief executive officer under Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of chief financial officer under Section 302 of the Sarbanes-Oxley Act of 2002.

32* Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this document.

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- + Management compensation plan or arrangement.
- (1) Incorporated by reference from the Company's Current Report on Form 8-K dated June 29, 2005 as filed on July 6, 2005.
- (2) Incorporated by reference from the Company's Current Report on Form 8-K dated May 3, 2007 as filed on May 3, 2007.
- (3) Incorporated by reference from the Company's Quarterly Report on form 10-Q as filed on August 9, 2010
- (4) Incorporated by reference from the Company's Annual Report on Form 10-K filed on December 22, 1999.
- (5) Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed on May 8, 2008.
- (6) Incorporated by reference from the Company's Form S-8 as filed on February 16, 2000.
- (7) Incorporated by reference from the Company's Proxy Statement (Schedule 14A) as filed on April 21, 2009.
- (8) Incorporated by reference from the Company's Annual Report on Form 10-K as filed on February 20, 2009.
- (9) Incorporated by reference from the Company's Current Report on Form 8-K dated February 10, 2010 as filed on February 16, 2010.

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GARTNER, INC.
CONSOLIDATED FINANCIAL STATEMENTS**

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All financial statement schedules have been omitted because the information required is not applicable or is shown in the consolidated financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Gartner, Inc.:

We have audited the accompanying consolidated balance sheets of Gartner, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gartner, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 15, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York

February 15, 2011

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Gartner, Inc.:

We have audited Gartner, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Gartner, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 15, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York

February 15, 2011

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GARTNER, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

| | December 31, | |
|---------------------------------------------------------------------------------------------------------------|---------------------|--------------|
| | 2010 | 2009 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 120,181 | \$ 116,574 |
| Fees receivable, net of allowances of \$7,200 and \$8,100 respectively | 364,818 | 317,598 |
| Deferred commissions | 71,955 | 70,253 |
| Prepaid expenses and other current assets | 64,148 | 53,400 |
| | | |
| Total current assets | 621,102 | 557,825 |
| Property, equipment and leasehold improvements, net | 47,614 | 52,466 |
| Goodwill | 510,265 | 513,612 |
| Intangible assets, net | 13,584 | 24,113 |
| Other assets | 93,093 | 67,263 |
| | | |
| Total Assets | \$ 1,285,658 | \$ 1,215,279 |
| | | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 247,733 | \$ 255,966 |
| Deferred revenues | 523,263 | 437,207 |
| Current portion of long-term debt | 40,156 | 205,000 |
| | | |
| Total current liabilities | 811,152 | 898,173 |
| Long-term debt | 180,000 | 124,000 |
| Other liabilities | 107,450 | 80,571 |
| | | |
| Total liabilities | 1,098,602 | 1,102,744 |
| Stockholders' equity: | | |
| Preferred stock: | | |
| \$.01 par value, authorized 5,000,000 shares; none issued or outstanding | | |
| Common stock: | | |
| \$.0005 par value, authorized 250,000,000 shares for both periods; 156,234,415 shares issued for both periods | | |
| | 78 | 78 |
| Additional paid-in capital | 611,782 | 590,864 |
| Accumulated other comprehensive income, net | 14,638 | 11,322 |
| Accumulated earnings | 605,677 | 509,392 |
| Treasury stock, at cost, 60,245,718 and 60,356,672 common shares, respectively | (1,045,119) | (999,121) |
| | | |
| Total stockholders' equity | 187,056 | 112,535 |
| | | |
| Total Liabilities and Stockholders' Equity | \$ 1,285,658 | \$ 1,215,279 |

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

| | Year Ended December 31, | | |
|---------------------------------------------------|--------------------------------|------------------|-------------------|
| | 2010 | 2009 | 2008 |
| Revenues: | | | |
| Research | \$ 865,000 | \$ 752,505 | \$ 781,581 |
| Consulting | 302,117 | 286,847 | 347,404 |
| Events | 121,337 | 100,448 | 150,080 |
| Total revenues | 1,288,454 | 1,139,800 | 1,279,065 |
| Costs and expenses: | | | |
| Cost of services and product development | 552,238 | 498,363 | 572,208 |
| Selling, general and administrative | 543,174 | 477,003 | 514,994 |
| Depreciation | 25,349 | 25,387 | 25,880 |
| Amortization of intangibles | 10,525 | 1,636 | 1,615 |
| Acquisition and integration charges | 7,903 | 2,934 | |
| Total costs and expenses | 1,139,189 | 1,005,323 | 1,114,697 |
| Operating income | 149,265 | 134,477 | 164,368 |
| Interest income | 1,156 | 830 | 3,121 |
| Interest expense | (16,772) | (16,862) | (22,390) |
| Other income (expense), net | 436 | (2,919) | (358) |
| Income before income taxes | 134,085 | 115,526 | 144,741 |
| Provision for income taxes | 37,800 | 32,562 | 47,593 |
| Income from continuing operations | 96,285 | 82,964 | 97,148 |
| Income from discontinued operations, net of taxes | | | 6,723 |
| Net income | \$ 96,285 | \$ 82,964 | \$ 103,871 |
| Net income per share: | | | |
| Basic: | | | |
| Income from continuing operations | \$ 1.01 | \$ 0.88 | \$ 1.02 |
| Income from discontinued operations | | | .07 |
| | \$ 1.01 | \$ 0.88 | \$ 1.09 |
| Diluted: | | | |
| Income from continuing operations | \$ 0.96 | \$ 0.85 | \$ 0.98 |
| Income from discontinued operations | | | .07 |
| | \$ 0.96 | \$ 0.85 | \$ 1.05 |

Weighted average shares outstanding:

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| | | | |
|---------|--------|--------|--------|
| Basic | 95,747 | 94,658 | 95,246 |
| Diluted | 99,834 | 97,549 | 99,028 |

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) AND COMPREHENSIVE
INCOME (LOSS)
(IN THOUSANDS)

| | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss), Net | Accumulated Earnings | Treasury Stock | Total Stockholders Equity (Deficit) |
|------------------------------------------------|-----------------|----------------------------------|----------------------------------------------------------------|-------------------------|-------------------|----------------------------------------------|
| Balance at December 31, 2007 | \$ 78 | \$ 545,268 | \$ 23,641 | \$ 322,557 | \$ (874,046) | \$ 17,498 |
| Comprehensive income: | | | | | | |
| Net income | | | | 103,871 | | 103,871 |
| Other comprehensive loss: | | | | | | |
| Foreign currency translation adjustments | | | (20,497) | | | (20,497) |
| Interest rate swaps, net of tax | | | (6,060) | | | (6,060) |
| Pension unrecognized gain, net of tax | | | 1,175 | | | 1,175 |
| Other comprehensive loss | | | (25,382) | | | (25,382) |
| Comprehensive income | | | | | | 78,489 |
| Issuances under stock plans | | (10,128) | | | 55,874 | 45,746 |
| Excess tax benefits from stock compensation | | 14,831 | | | | 14,831 |
| Purchase of shares for treasury | | | | | (198,576) | (198,576) |
| Stock compensation expense | | 20,696 | | | | 20,696 |
| Balance at December 31, 2008 | \$ 78 | \$ 570,667 | \$ (1,741) | \$ 426,428 | \$ (1,016,748) | \$ (21,316) |
| Comprehensive income: | | | | | | |
| Net income | | | | 82,964 | | 82,964 |
| Other comprehensive income: | | | | | | |
| Foreign currency translation adjustments | | | 9,088 | | | 9,088 |
| Interest rate swaps, net of tax | | | 3,535 | | | 3,535 |
| Pension unrecognized gain, net of tax | | | 440 | | | 440 |
| Other comprehensive income | | | 13,063 | | | 13,063 |
| Comprehensive income | | | | | | 96,027 |
| Issuances under stock plans | | (6,522) | | | 21,371 | 14,849 |

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| | | | | | | | |
|---------------------------------------------|-------|------------|-----------|------------|----------------|-----|------------|
| Excess tax benefits from stock compensation | | 653 | | | | 653 | |
| Purchase of shares for treasury | | | | | (3,744) | | (3,744) |
| Stock compensation expense | | 26,066 | | | | | 26,066 |
| Balance at December 31, 2009 | \$ 78 | \$ 590,864 | \$ 11,322 | \$ 509,392 | \$ (999,121) | | \$ 112,535 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 96,285 | | | 96,285 |
| Other comprehensive income: | | | | | | | |
| Foreign currency translation adjustments | | | 582 | | | | 582 |
| Interest rate swaps, net of tax | | | 3,746 | | | | 3,746 |
| Pension unrecognized gain, net of tax | | | (1,012) | | | | (1,012) |
| Other comprehensive income | | | 3,316 | | | | 3,316 |
| Comprehensive income | | | | | | | 99,601 |
| Issuances under stock plans | | (30,254) | | | 53,822 | | 23,568 |
| Excess tax benefits from stock compensation | | 18,520 | | | | | 18,520 |
| Purchase of shares for treasury | | | | | (99,820) | | (99,820) |
| Stock compensation expense | | 32,652 | | | | | 32,652 |
| Balance at December 31, 2010 | \$ 78 | \$ 611,782 | \$ 14,638 | \$ 605,677 | \$ (1,045,119) | | \$ 187,056 |

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
 (IN THOUSANDS)

| | Year Ended December 31, | | |
|-----------------------------------------------------------------------------------|--------------------------------|-------------|-------------|
| | 2010 | 2009 | 2008 |
| Operating activities: | | | |
| Net income | \$ 96,285 | \$ 82,964 | \$ 103,871 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization of intangibles | 35,874 | 27,023 | 27,495 |
| Stock-based compensation expense | 32,634 | 26,066 | 20,696 |
| Excess tax benefits from stock-based compensation expense | (18,364) | (2,392) | (14,831) |
| Deferred taxes | (2,609) | 5,003 | 2,617 |
| Amortization and write-off of debt issue costs | 1,567 | 1,480 | 1,222 |
| Gain on sale of business | | | (7,061) |
| Changes in assets and liabilities: | | | |
| Fees receivable, net | (48,177) | 25,349 | 20,987 |
| Deferred commissions | (2,184) | (16,750) | (1,403) |
| Prepaid expenses and other current assets | (376) | 13,059 | (21) |
| Other assets | (34,130) | 532 | 2,907 |
| Deferred revenues | 85,336 | 5,101 | (308) |
| Accounts payable, accrued, and other liabilities | 59,643 | (5,498) | 28,179 |
| Cash provided by operating activities | 205,499 | 161,937 | 184,350 |
| Investing activities: | | | |
| Additions to property, equipment and leasehold improvements | (21,694) | (15,142) | (24,302) |
| Acquisitions (net of cash received) | (12,151) | (104,523) | |
| Net proceeds from sale of business | | | 7,847 |
| Cash used in investing activities | (33,845) | (119,665) | (16,455) |
| Financing activities: | | | |
| Proceeds from stock issued for stock plans | 23,527 | 14,822 | 44,702 |
| Proceeds from debt issuance | 200,000 | 78,000 | 180,000 |
| Payments for debt issuance costs | (4,783) | | (801) |
| Payments on debt | (308,844) | (165,250) | (157,750) |
| Purchases of treasury stock | (99,820) | (3,744) | (200,817) |
| Excess tax benefits from stock-based compensation expense | 18,364 | 2,392 | 14,831 |
| Cash used by financing activities | (171,556) | (73,780) | (119,835) |
| Net increase (decrease) in cash and cash equivalents | 98 | (31,508) | 48,060 |
| Effects of exchange rates on cash and cash equivalents | 3,509 | 7,153 | (17,076) |
| Cash and cash equivalents, beginning of period | 116,574 | 140,929 | 109,945 |
| Cash and cash equivalents, end of period | \$ 120,181 | \$ 116,574 | \$ 140,929 |

Supplemental disclosures of cash flow information:

Cash paid during the period for:

| | | | |
|---------------------------------------|-----------|-----------|-----------|
| Interest | \$ 11,484 | \$ 13,942 | \$ 22,380 |
| Income taxes, net of refunds received | \$ 25,486 | \$ 34,438 | \$ 19,961 |

See Notes to Consolidated Financial Statements.

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Table of Contents**GARTNER, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1 BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Business. Gartner, Inc. is a global information technology research and advisory company founded in 1979 with its headquarters in Stamford, Connecticut. Gartner, Inc. delivers its principal products and services through three business segments: Research, Consulting, and Events.

Basis of presentation. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), as defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 270 for financial information and with the applicable instructions of U.S. Securities & Exchange Commission (SEC) Regulation S-X. The fiscal year of Gartner, Inc. (the Company) represents the period from January 1 through December 31. When used in these notes, the terms Gartner, Company, we, us, or our mean Gartner, Inc. and its consolidated subsidiaries. All references to 2010, 2009, and 2008 relate to the fiscal year unless otherwise indicated.

In December 2009 we acquired AMR Research, Inc. (AMR Research) and Burton Group, Inc. (Burton Group). The results of these businesses are included in our operating results beginning on their respective dates of acquisition (see Note 2 Acquisitions).

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of estimates. The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, and other long-lived assets, as well as tax accruals and other liabilities. In addition, estimates are used in revenue recognition, income tax expense, performance-based compensation charges, depreciation and amortization, and the allowance for losses. Management believes its use of estimates in the accompanying consolidated financial statements to be reasonable.

Management continuously evaluates and revises these estimates using historical experience and other factors, including the general economic environment and actions it may take in the future. We adjust such estimates when facts and circumstances dictate. However, these estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on our best judgment at a point in time. As a result, differences between our estimates and actual results could be material and would be reflected in the Company s consolidated financial statements in future periods.

Subsequent events. The Company has evaluated the potential impact of subsequent events on the consolidated financial statements herein through the date of filing of this Annual Report on Form 10-K. See Note 17 subsequent events regarding a secondary offering of the Company s shares.

Revenues. Revenue is recognized in accordance with U.S. GAAP and SEC Staff Accounting Bulletin No. 101, *Revenue Recognition* in Financial Statements (SAB 101), and SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104). Revenues are only recognized once all required recognition criteria have been met. The Consolidated Statement of Operations present revenues net of any sales or value-added taxes that we collect from customers and remit to government authorities.

The Company s revenues by significant source are as follows:

Research revenues are generally derived from annual subscription contracts for research products. These revenues are deferred and recognized ratably over the applicable contract term. The Company typically enters into annually renewable subscription contracts for research products. Reprint fees are recognized when the reprint is shipped. The majority of research contracts are billable upon signing, absent special terms granted on a limited basis from time to time. Research contracts are non-cancelable and non-refundable, except for government contracts that may have cancellation or fiscal funding clauses, which have not produced material cancellations to date. It is our policy to record the entire amount of the contract that is billable as a fee receivable at the time the contract is signed with a corresponding amount as deferred revenue, since the contract represents a legally enforceable claim.

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For those government contracts that permit cancellation, historically we only recorded fees receivables to the extent amounts were earned and deferred revenue to the extent cash was received. As of September 30, 2010, based on an analysis of historic contract cancellations, we determined that the likelihood of such cancellations was remote.

Accordingly, as of that date we record the entire billable contract amount as fees receivable at the time the contract is signed with a corresponding amount to deferred revenue, consistent with other contracts. This change in estimate had an immaterial impact.

Consulting revenues, primarily derived from consulting, measurement and strategic advisory services (paid one-day analyst engagements), are principally generated from fixed fee or time and materials engagements. Revenues for such projects are recognized as work is delivered and/or services are provided. Unbilled fees receivable associated with consulting engagements were \$29.4 million at December 31, 2010 and \$30.0 million at December 31, 2009. Revenues related to contract optimization contracts are contingent in nature and are only recognized upon satisfaction of all conditions related to their payment.

Events revenues are deferred and recognized upon the completion of the related symposium, conference or exhibition. In addition, the Company defers certain costs directly related to events and expenses these costs in the period during which the related symposium, conference or exhibition occurs. The Company policy is to defer only those costs, primarily prepaid site and production services costs, which are incremental and are directly attributable to a specific event. Other costs of organizing and producing our events, primarily Company personnel and non-event specific expenses, are expensed in the period incurred. At the end of each fiscal quarter, the Company assesses on an event-by-event basis whether expected direct costs of producing a scheduled event will exceed expected revenues. If such costs are expected to exceed revenues, the Company records the expected loss in the period determined.

Uncollectible fees receivable. The Company maintains an allowance for losses which is composed of a bad debt allowance and a sales reserve. Provisions are charged against earnings, either as a reduction in revenues or as an increase to expense. The amount of the allowance for losses is based on historical loss experience, aging of outstanding receivables, an assessment of current economic conditions and the financial health of specific clients.

Cost of services and product development (COS). COS expense includes the direct costs incurred in the creation and delivery of our products and services.

Selling, general and administrative (SG&A). SG&A expense includes direct and indirect selling costs and general and administrative costs.

Commission expense. The Company records commission obligations upon the signing of contracts and amortizes the corresponding deferred commission expense over the estimated period in which the related revenues are earned. Commission expense is included in SG&A in the Consolidated Statements of Operations.

Stock-based compensation expense. The Company accounts for stock-based compensation in accordance with FASB ASC Topics 505 and 718, as interpreted by SEC Staff Accounting Bulletins No. 107 (SAB No. 107) and No. 110 (SAB No. 110). Stock-based compensation cost is based on the fair value of the award on the date of grant, which is expensed over the related service period, net of estimated forfeitures. The service period is the period over which the employee performs the related services, which is normally the same as the vesting period.

During 2010, 2009, and 2008, the Company recognized \$32.6 million, \$26.1 million, and \$20.7 million, respectively, of stock-based compensation expense (see Note 9 Stock-Based Compensation), which is recorded in both COS and SG&A in the Consolidated Statements of Operations.

Income tax expense. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to taxable income for that year and the net changes during the year in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized based on differences between the book and tax basis of assets and liabilities using presently enacted tax rates. We credit additional paid-in capital for realized tax benefits arising from stock transactions with employees. The tax benefit on a nonqualified stock option is equal to the tax effect of the difference between the market price of Common Stock on the date of exercise and the exercise price.

Cash and cash equivalents. All highly liquid investments with original maturities of three months or less are classified as cash equivalents. The carrying value of these investments approximates fair value based upon their short-term maturity. Investments with maturities of more than three months are classified as marketable securities. Interest earned

on investments is classified in Interest income in the Consolidated Statements of Operations.

Property, equipment and leasehold improvements. The Company leases all of its facilities and certain equipment. These leases are all classified as operating leases in accordance with FASB ASC Topic 840. The cost of these operating leases, including any contractual

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rent increases, rent concessions, and landlord incentives, are recognized ratably over the life of the related lease agreement. Lease expense was \$23.5 million in 2010 and \$22.5 million in both 2009 and 2008.

Equipment, leasehold improvements, and other fixed assets owned by the Company are recorded at cost less accumulated depreciation and are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the remaining term of the related leases. The Company had total depreciation expense of \$25.3 million, \$25.4 million, and \$25.9 million in 2010, 2009, and 2008, respectively.

Property, equipment and leasehold improvements, less accumulated depreciation and amortization consist of the following (in thousands):

| | Useful Life (Years) | December 31, | |
|------------------------------------------------|------------------------------------|---------------------|------------------|
| | | 2010 | 2009 |
| Computer equipment and software | 2 - 7 | \$ 123,988 | \$ 118,487 |
| Furniture and equipment | 3 - 8 | 32,093 | 32,183 |
| Leasehold improvements | 2 - 10 | 46,516 | 46,945 |
| | | 202,597 | 197,615 |
| Less accumulated depreciation and amortization | | (154,983) | (145,149) |
| | | \$ 47,614 | \$ 52,466 |

The Company capitalizes certain costs incurred to develop internal use software in accordance with FASB ASC Topic 350. At December 31, 2010 and 2009, capitalized development costs for internal use software were \$14.3 million and \$16.1 million, respectively, which are net of accumulated amortization of \$23.7 million and \$20.4 million, respectively. Amortization of capitalized internal software development costs, which is classified in Depreciation in the Consolidated Statements of Operations, totaled \$7.9 million, \$8.3 million, and \$7.4 million during 2010, 2009, and 2008, respectively.

The Company's corporate headquarters is located in approximately 213,000 square feet of leased office space in three buildings located in Stamford, Connecticut. The Stamford facility accommodates research and analysis, marketing, sales, client support, production, corporate services, executive offices, and administration. In April 2010, the Company entered into a new 15 year lease agreement for this facility. The new lease grants the Company three options to renew at fair market value for five years each, and an option to purchase the facility at fair market value. In accordance with FASB ASC Topic 840, the Company accounts for the new Stamford lease as an operating lease arrangement. The total minimum payments the Company will be obligated to pay under this lease, including contractual escalation clauses and reduced rents during the renovation period, will be expensed on a straight-line basis over the lease term. As of December 31, 2010, the total minimum lease payments under this non-cancelable lease agreement were \$84.5 million.

Under the terms of the new Stamford lease, the landlord will provide up to \$25.0 million to be used to renovate the three buildings and the parking areas comprising the facility. The renovation work will occur in 2011 and 2012. The contractual amount due from the landlord was recorded as a tenant improvement allowance in Other assets and as deferred rent in Other liabilities on the Consolidated Balance Sheets. As the renovation work progresses and payments are received from the landlord, the tenant improvement receivable will be relieved and leasehold improvement assets will be recorded in Property, equipment, and leasehold improvements. The leasehold improvement assets will be amortized to Depreciation expense over their useful lives beginning when the assets are placed in service. The amount recorded as deferred rent will be amortized as a reduction to rent expense (SG&A) on a straight-line basis over the term of the lease. For the year ended December 31, 2010, approximately \$1.0 million of the deferred rent balance was amortized to rent expense.

Intangible assets. Intangible assets are amortized using the straight-line method over their expected useful lives. Intangible assets subject to amortization include the following (in thousands):

| December 31, 2010 | Content | Trade Name | Customer Relationships | Noncompete Agreements | Total |
|--------------------------|----------------|-----------------------|-----------------------------------|----------------------------------|--------------|
| Gross cost | \$ 10,634 | \$ 5,758 | \$ 7,210 | \$ 207 | \$ 23,809 |
| Accumulated amortization | (7,089) | (1,152) | (1,803) | (181) | (10,225) |
| Net | \$ 3,545 | \$ 4,606 | \$ 5,407 | \$ 26 | \$ 13,584 |

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| December 31, 2009 | Content | Trade Name | Customer Relationships | Noncompete Agreements | Total |
|--------------------------|----------------|-------------------|-------------------------------|------------------------------|--------------|
| Gross cost (1) | \$ 10,634 | \$ 5,758 | \$ 14,910 | \$ 416 | \$ 31,718 |
| Accumulated amortization | | | (7,315) | (290) | (7,605) |
| Net | \$ 10,634 | \$ 5,758 | \$ 7,595 | \$ 126 | \$ 24,113 |

(1) The Company recorded \$23.6 million of purchased intangibles from the acquisitions of AMR Research and Burton Group in December 2009 (see Note 2 Acquisitions).

Intangible assets will be amortized against earnings over the following period:

| | Useful Life (Years) |
|------------------------|----------------------------|
| Content | 1.5 |
| Trade Name | 5 |
| Customer Relationships | 4 |
| Noncompete Agreements | 2-5 |

Aggregate amortization expense on intangible assets was \$10.5 million, \$1.6 million, and \$1.6 million for 2010, 2009, and 2008, respectively.

The estimated future amortization expense by year from purchased intangibles is as follows (in thousands):

| | |
|------|-----------|
| 2011 | \$ 6,530 |
| 2012 | 2,955 |
| 2013 | 2,955 |
| 2014 | 1,144 |
| | \$ 13,584 |

Goodwill. Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and identifiable intangible net assets acquired. The evaluation of goodwill is performed in accordance with FASB ASC Topic 350, which requires an annual assessment of potential goodwill impairment at the reporting unit level. A reporting unit can be an operating segment or a business if discrete financial information is prepared and reviewed by management. Under the impairment test, if a reporting unit's carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent that the reporting unit's carrying amount of goodwill exceeds the implied fair value of the goodwill. The fair value of reporting units is estimated using discounted cash flows, market multiples, and other valuation techniques.

The following table presents changes to the carrying amount of goodwill by reporting segment during the two years ended December 31, 2010 (in thousands):

| | Research | Consulting | Events | Total |
|-------------------------------------------------------------|-----------------|-------------------|---------------|--------------|
| Balance, December 31, 2008 (1) | \$ 280,161 | \$ 84,048 | \$ 34,528 | \$ 398,737 |
| Foreign currency translation adjustments | 4,386 | 1,434 | 73 | 5,893 |
| Additions due to AMR Research and Burton Group acquisitions | 86,083 | 15,262 | 7,637 | 108,982 |
| Balance, December 31, 2009 | \$ 370,630 | \$ 100,744 | \$ 42,238 | \$ 513,612 |
| | (2,109) | (927) | (311) | (3,347) |

Foreign currency translation adjustments and other

(2)

| | | | | |
|----------------------------|------------|-----------|-----------|------------|
| Balance, December 31, 2010 | \$ 368,521 | \$ 99,817 | \$ 41,927 | \$ 510,265 |
|----------------------------|------------|-----------|-----------|------------|

(1) The Company has not recorded charges for goodwill impairment since its adoption of the current goodwill impairment rules on January 1, 2002. Accordingly, the Company considers the goodwill amount as of December 31, 2008 to be the gross amount of goodwill.

(2) Includes the impact of foreign currency translation and certain immaterial goodwill adjustments. *Impairment of long-lived assets and intangible assets.* The Company reviews long-lived assets and intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of the respective asset may

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not be recoverable. Such evaluation may be based on a number of factors including current and projected operating results and cash flows, changes in management's strategic direction as well as external economic and market factors. The Company's policy regarding long-lived assets and intangible assets other than goodwill is to evaluate the recoverability of these assets by determining whether the balance can be recovered through undiscounted future operating cash flows. Should events or circumstances indicate that the carrying value might not be recoverable based on undiscounted future operating cash flows, an impairment loss would be recognized. The amount of impairment, if any, is measured based on the difference between projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds and the carrying value of the asset.

Pension obligations. The Company has defined-benefit pension plans in three of its international locations (see Note 14 Employee Benefits). Benefits earned under these plans are generally based on years of service and level of employee compensation. The Company accounts for defined benefit plans in accordance with the requirements of FASB ASC Topic 715. The Company determines the periodic pension expense and related liabilities for these plans through actuarial assumptions and valuations. The Company recognized \$2.4 million, \$2.2 million, and \$2.2 million of expense for these plans in 2010, 2009, and 2008, respectively. The Company classifies pension expense in SG&A in the Consolidated Statements of Operations.

Foreign currency exposure. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of Accumulated Other Comprehensive Income (Loss), net within the Stockholders' equity section of the Consolidated Balance Sheets. Income and expense items are translated at average exchange rates for the year.

Currency transaction gains or losses arising from transactions denominated in currencies other than the functional currency of a subsidiary are included in results of operations in Other income (expense), net within the Consolidated Statements of Operations. Net currency transaction (losses) gains were \$(4.8) million, \$(3.6) million, and \$(0.9) million in 2010, 2009, and 2008, respectively.

We enter into foreign currency forward exchange contracts to offset the effects of adverse fluctuations in foreign currency exchange rates. These contracts generally have a short duration and are recorded at fair value with unrealized and realized gains and losses recorded in Other income (expense). The net gain (loss) from these contracts was \$2.8 million, \$0.7 million, and \$(0.6) million for 2010, 2009, and 2008, respectively.

Fair value disclosures. The Company's fair value disclosures are included in Note 13 Fair Value Disclosures.

Concentrations of credit risk. Assets that may subject the Company to concentration of credit risk consist primarily of short-term, highly liquid investments classified as cash equivalents, accounts receivable, interest rate swaps, and a pension reinsurance asset. The majority of the Company's cash equivalent investments and its interest rate swap contract are with investment grade commercial banks that are participants in the Company's 2010 Credit Agreement. Accounts receivable balances deemed to be collectible from customers have limited concentration of credit risk due to our diverse customer base and geographic dispersion. The Company's pension reinsurance asset (see Note 14 Employee Benefits) is maintained with a large international insurance company that was rated investment grade as of December 31, 2010.

Stock repurchase programs. The Company records the cost to repurchase its own shares to treasury stock. During 2010, 2009 and 2008, the Company recorded \$99.8 million, \$3.7 million, and \$198.6 million, respectively, of stock repurchases (see Note 8 Equity). Shares repurchased by the Company are added to treasury shares and are not retired.

Recent Accounting Developments

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures*. ASU 2010-06 requires fair value hierarchy disclosures to be further disaggregated by class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the balance sheet. In addition, significant transfers between Levels 1 and 2 of the fair value hierarchy are required to be disclosed. These additional disclosure requirements became effective January 1, 2010. In general, Gartner does not anticipate transfers between the different levels of the fair value hierarchy, and for the twelve months ended December 31, 2010, there were none. Our required fair value disclosures are presented in Note 13 *Fair Value Disclosures*. Beginning January 1, 2011, the FASB will also require additional disclosures regarding changes in Level 3 instruments.

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In September 2009, the FASB issued ASU 2009-13, *Revenue Arrangements with Multiple Deliverables*. ASU 2009-13 requires companies to allocate revenue in arrangements involving multiple deliverables based on the estimated selling price of each deliverable, even though such deliverables are not sold separately either by the company itself or other vendors. ASU 2009-13 eliminates the requirement that all undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the overall arrangement fee that is attributable to items that already have been delivered. As a result, the new guidance is expected to allow some companies to recognize revenue on transactions that involve multiple deliverables earlier than under current requirements. ASU 2009-13 will be effective for the Company beginning in the first quarter of fiscal year 2012, but early adoption is permitted.

2 ACQUISITIONS

In December 2009 the Company acquired all of the outstanding shares of AMR Research and Burton Group for a total of \$117.7 million in cash. The Company's consolidated results include the operating results of these businesses beginning on their respective acquisition dates. In September 2010 the Company finalized the allocation of the purchase price related to these acquisitions, resulting in immaterial adjustments to recorded goodwill. The Company recorded \$7.9 million of acquisition and integration expenses related to these acquisitions during 2010 and \$2.9 million in 2009. Included in these charges are legal fees and consultant fees in connection with the acquisition and integration, as well as severance costs related to redundant headcount.

The Company received contractual indemnifications from the selling shareholders of AMR Research and Burton Group for certain pre-acquisition liabilities, which the Company estimated at \$6.1 million. In accordance with FASB ASC Topic 805, the Company recorded a \$6.1 million indemnification receivable in Prepaid expenses and other current assets and a \$6.1 million liability in Accrued liabilities, which were included in the purchase price allocation. Separately, a portion of the sale proceeds were placed in an escrow account pending resolution of these pre-acquisition liabilities.

During 2010, the Company paid \$5.1 million to settle these pre-acquisition liabilities and received reimbursement from the escrow account for the same amount. As a result, the settlement of these liabilities had no impact on the Company's results of operations, cash flows, or recorded goodwill. The Company believes the remaining \$1.0 million recorded in Accrued liabilities is a reasonable estimate of the amount necessary to satisfy the remaining liabilities, which is fully reimbursable from the escrow account.

3 DISCONTINUED OPERATIONS

In 2008 the Company sold its Vision Events business, which had been part of the Company's Events segment. The Company realized net cash proceeds from the sale of \$7.8 million and recorded a net gain on the sale of approximately \$7.1 million after deducting direct costs to sell, a charge of \$1.8 million of allocated Events segment goodwill, and related tax charges. The results of operations of this business and the gain on sale are recorded in Income from discontinued operations, net of taxes in the Consolidated Statements of Operations.

4 OTHER ASSETS

Other assets consist of the following (in thousands):

| | December 31, | |
|----------------------------------|---------------------|-------------|
| | 2010 | 2009 |
| Security deposits | \$ 3,959 | \$ 3,545 |
| Debt issuance costs | 4,987 | 1,384 |
| Benefit plan related assets | 36,089 | 30,903 |
| Non-current deferred tax assets | 21,166 | 29,527 |
| Tenant improvement allowance (1) | 24,570 | |
| Other | 2,322 | 1,904 |
| Total other assets | \$ 93,093 | \$ 67,263 |

(1) Represents contractual amounts receivable for the Stamford headquarters renovation.

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Table of Contents**5 ACCOUNTS PAYABLE, ACCRUED, AND OTHER LIABILITIES**

Accounts payable and accrued liabilities consist of the following (in thousands):

| | December 31, | |
|-------------------------------------------------------|---------------------|-------------------|
| | 2010 | 2009 |
| Accounts payable | \$ 17,791 | \$ 14,312 |
| Payroll, employee benefits, severance | 62,882 | 63,600 |
| Bonus payable | 64,620 | 53,264 |
| Commissions payable | 41,503 | 39,705 |
| Taxes payable | 15,030 | 17,693 |
| Acquisition payables (1) | | 13,059 |
| Rent and other facilities costs | 7,108 | 9,666 |
| Professional and consulting fees | 3,706 | 4,112 |
| Events fulfillment liabilities | 4,367 | 3,905 |
| Other accrued liabilities | 30,726 | 36,650 |
| Total accounts payable and accrued liabilities | \$ 247,733 | \$ 255,966 |

(1) Consists of amounts payable related to the acquisition of Burton Group in December 2009. These liabilities were paid in January 2010.

Other liabilities consist of the following (in thousands):

| | December 31, | |
|----------------------------------|---------------------|------------------|
| | 2010 | 2009 |
| Non-current deferred revenue | \$ 4,659 | \$ 3,912 |
| Long-term taxes payable | 18,193 | 15,064 |
| Benefit plan-related liabilities | 44,939 | 37,977 |
| Deferred rent Stamford lease (1) | 23,813 | |
| Other | 15,846 | 23,618 |
| Total Other liabilities | \$ 107,450 | \$ 80,571 |

(1) Represents deferred rent on the Company's Stamford lease.

6 DEBT*2010 Credit Agreement*

On December 22, 2010, the Company entered into a new credit facility (the "2010 Credit Agreement") with a syndication of banks led by JPMorgan Chase to take advantage of favorable financing conditions and to obtain greater financial flexibility and liquidity through a larger revolving credit facility. The 2010 Credit Agreement provides for a five-year, \$200.0 million term loan and a \$400.0 million revolving credit facility. In addition, the 2010 Credit Agreement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company's option and under certain conditions, by up to an additional \$150.0 million in the aggregate. The Company paid \$4.8 million in debt issuance costs in 2010 related to the refinancing, which was capitalized and will be amortized to interest expense over the term of the 2010 Credit Agreement.

On December 22, 2010 the Company drew down \$200.0 million from the term loan facility and \$100.0 million from the revolving credit facility which was used to repay amounts outstanding under the Company's prior credit arrangement, which was terminated in connection with the refinancing. At the end of December 2010 the Company repaid \$80.0 million of the amount drawn down on the revolving credit facility. Future amounts to be drawn down

under the revolving credit facility will be used for general working capital purposes.

The term loan will be repaid in 19 consecutive quarterly installments commencing March 31, 2011, plus a final payment due on December 22, 2015, and may be prepaid at any time without penalty or premium at the Company's option. The revolving credit facility may be used for loans, and up to \$40.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and re-borrowed until December 22, 2015, at which time all amounts borrowed must be repaid.

Amounts borrowed under the 2010 Credit Agreement bear interest at a rate equal to, at the Company's option, either (i) the greatest of:

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the administrative agent's prime rate; the average rate on overnight federal funds plus 1/2 of 1%; and the eurodollar rate (adjusted for statutory reserves) plus 1% , in each case plus a margin equal to between 0.50% and 1.25% depending on the Company's leverage ratio as of the end of the four consecutive fiscal quarters most recently ended, or (ii) the eurodollar rate (adjusted for statutory reserves) plus a margin equal to between 1.50% and 2.25%, depending on the Company's leverage ratio as of the end of the four consecutive fiscal quarters most recently ended.

The 2010 Credit Agreement contains certain customary restrictive loan covenants, including, among others, financial covenants requiring a maximum leverage ratio, a minimum interest expense coverage ratio, and covenants limiting the Company's ability to incur indebtedness, grant liens, make acquisitions, be acquired, dispose of assets, pay dividends, repurchase stock, make capital expenditures, make investments and enter into certain transactions with affiliates. The Company was in full compliance with these covenants as of December 31, 2010.

The following table provides information regarding the Company's borrowings:

| Description: | Amount Outstanding December 31, 2010 (1), (2) (In thousands) | Contractual Annualized Interest Rate December 31, 2010 (3) | Amount Outstanding December 31, 2009 (4) (In thousands) |
|---------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Term loans | \$ 200,000 | 2.30% | \$ 201,000 |
| Revolver | 20,156 | 2.26% | 128,000 |
| Total | \$ 220,156 | | \$ 329,000 |

- (1) The \$220.2 million outstanding includes \$220.0 million borrowed under the 2010 Credit Agreement and \$0.2 million borrowed under a separate arrangement related to the renovation of a leased facility.
- (2) The Company had approximately \$376.0 million of available borrowing capacity on the revolver (not including the expansion feature) as of December 31, 2010.
- (3) The term loan rate consisted of a three-month 0.3% Eurodollar base rate plus a margin of 2.0%, while the revolver rate consisted of a one-month Eurodollar base rate of 0.26% plus a margin of 2.0%. The Company has an interest rate swap contract which converts the floating Eurodollar base rate to a fixed base rate on \$200.0 million of three-month borrowings (see below).
- (4) These loans were outstanding under the credit arrangement that was terminated in December 2010. These amounts were repaid in 2010.

In December 2010, the Company recorded certain incremental pre-tax charges due to the termination of the prior credit arrangement. These charges would have been recognized as expenses in 2011, but accounting rules required their accelerated recognition in 2010. These accelerated pre-tax charges included \$3.3 million for deferred losses on interest rate swap contracts that had been recorded in Other Comprehensive Income (OCI) and \$0.4 million for the write-off of a portion of capitalized debt issuance costs resulting from the extinguishment of the previous long-term indebtedness. In accordance with FASB ASC Topic 815, the deferral of the amounts in OCI was no longer permitted since the forecasted interest payments related to the previous debt would not occur. Both the debt issuance and interest rate swap charges were recorded in Interest expense in the Consolidated Statements of Operations.

Interest Rate Swap Hedge

On December 22, 2010, the Company entered into a \$200.0 million notional fixed-for-floating interest rate swap contract which it designated as a hedge of the forecasted interest payments on the Company's variable rate borrowings. Under the swap terms, the Company pays a base fixed rate of 2.26% and in return receives a three-month Eurodollar base rate.

The Company accounts for the interest rate swap as a cash flow hedge in accordance with FASB ASC Topic 815. Since the swap is hedging forecasted interest payments, changes in the fair value of the swap are recorded in OCI as long as the swap continues to be a highly effective hedge of the designated interest rate risk. Any ineffective portion of change in the fair value of the hedge is recorded

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in earnings. At December 31, 2010, there was no ineffective portion of the hedge. The interest rate swap had a negative fair value to the Company of \$2.1 million at December 31, 2010, which is recorded in OCI, net of tax effect.

Letters of Credit

The Company issues letters of credit and related guarantees in the ordinary course of business. At December 31, 2010 and 2009, the Company had outstanding letters of credit and guarantees of approximately \$4.7 million and \$4.2 million, respectively.

7 COMMITMENTS AND CONTINGENCIES

The Company leases various facilities, furniture, and computer equipment under operating lease arrangements expiring between 2011 and 2027. The future minimum annual cash payments under non-cancelable operating lease agreements at December 31, 2010, are as follows (in thousands):

| Year ended December 31, | |
|-------------------------------------------|----------------|
| 2011 | \$ 30,775 |
| 2012 | 23,582 |
| 2013 | 19,718 |
| 2014 | 16,160 |
| 2015 | 11,715 |
| Thereafter | 66,640 |
| Total minimum lease payments (1), (2) | \$ 168,590 |

(1) Excludes \$25.0 million of contractual payments receivable for leasehold improvements on the Company's Stamford headquarters lease (see *Property, equipment and leasehold improvements* in Note 1 Business and Significant Accounting Policies for additional discussion).

(2) Excludes approximately \$2.5 million of contractual sublease rental income.

We are involved in various legal proceedings and litigation arising in the ordinary course of business. The outcome of these individual matters is not predictable at this time. However, we believe that the ultimate resolution of these matters, after considering amounts already accrued and insurance coverage, will not have a material adverse effect on our financial position, results of operations, or cash flows in future periods.

The Company has various agreements that may obligate us to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of the Company's obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of December 31, 2010, we did not have any indemnification agreements that would require material payments.

The Company received cash proceeds of \$1.2 million in 2008 related to the settlement of a litigation matter which was recorded as a gain in Other (expense) income, net in the Consolidated Statements of Operations.

8 EQUITY

Common stock. Holders of Gartner's Common Stock, par value \$.0005 per share (Common Stock) are entitled to one vote per share on all matters to be voted by stockholders. The Company does not currently pay cash dividends on its Common Stock. Also, our credit arrangement contains a negative covenant which may limit our ability to pay dividends.

The following table summarizes transactions relating to Common Stock for the three years ending December 31, 2010:

| | Issued Shares | Treasury Stock Shares |
|------------------------------|--------------------------|--------------------------------------|
| Balance at December 31, 2007 | 156,234,415 | 57,202,660 |
| Issuances under stock plans | | (4,568,658) |
| Purchases for treasury | | 9,719,573 |
| Balance at December 31, 2008 | 156,234,415 | 62,353,575 |
| Issuances under stock plans | | (2,302,935) |
| Purchases for treasury | | 306,032 |
| Balance at December 31, 2009 | 156,234,415 | 60,356,672 |
| Issuances under stock plans | | (4,029,673) |
| Purchases for treasury | | 3,918,719 |
| Balance at December 31, 2010 | 156,234,415 | 60,245,718 |

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Share repurchase program. The Company has a \$500.0 million share repurchase program, of which \$481.9 million remained available for share repurchases as of December 31, 2010. The \$500.0 million share repurchase program was approved by the Company's Board of Directors in the third quarter of 2010 and replaced the Company's prior repurchase program, which had been largely expended.

Repurchases may be made from time-to-time through open market purchases, private transactions, tender offers or other transactions. The amount and timing of repurchases will be subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance and other conditions. Repurchases may also be made from time-to-time in connection with the settlement of the Company's shared-based compensation awards. Repurchases will be funded from cash flow from operations or borrowings. During 2010, 2009, and 2008, the Company recorded \$99.8 million, \$3.7 million, and \$198.6 million, respectively, of Common Stock repurchases.

9 STOCK-BASED COMPENSATION

The Company grants stock-based compensation awards as an incentive for employees and directors to contribute to the Company's long-term success. The Company currently awards stock-settled stock appreciation rights, service- and performance-based restricted stock units, and common stock equivalents. At December 31, 2010, the Company had approximately 7.0 million shares of Common Stock available for awards of stock-based compensation under its 2003 Long-Term Incentive Plan.

The Company accounts for stock-based compensation in accordance with FASB ASC Topics 505 and 718, as interpreted by SEC Staff Accounting Bulletins No. 107 (SAB No. 107) and No. 110 (SAB No. 110). Stock-based compensation expense is based on the fair value of the award on the date of grant, which is recognized over the related service period, net of estimated forfeitures. The service period is the period over which the related service is performed, which is generally the same as the vesting period. At the present time, the Company issues treasury shares upon the exercise, release or settlement of stock-based compensation awards.

Determining the appropriate fair value model and calculating the fair value of stock compensation awards requires the input of certain highly complex and subjective assumptions, including the expected life of the stock compensation awards and the Common Stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the amount of employee forfeitures and the likelihood of the achievement of certain performance targets. The assumptions used in calculating the fair value of stock compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's stock-based compensation awards changes, then the amount of expense may need to be adjusted and future stock compensation expense could be materially different from what has been recorded in the current period.

The Company recognized the following amounts of stock-based compensation expense (in millions) for the year ended December 31:

| Award type: | 2010 | 2009 | 2008 |
|----------------------------------|----------------|----------------|----------------|
| Stock appreciation rights (SARs) | \$ 4.6 | \$ 4.4 | \$ 3.2 |
| Restricted stock | | | 0.4 |
| Restricted stock units (RSUs) | 27.5 | 21.3 | 14.8 |
| Common stock equivalents (CSEs) | 0.5 | 0.4 | 0.4 |
| Options | | | 1.9 |
| Total (1) | \$ 32.6 | \$ 26.1 | \$ 20.7 |

(1) Includes charges of \$3.1 million, \$1.9 million, and \$1.3 million in 2010, 2009, and 2008, respectively, for awards to retirement-eligible employees.

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Stock-based compensation (in millions) was recognized as follows in the Consolidated Statements of Operations for the year ended December 31:

| Amount recorded in: | 2010 | 2009 | 2008 |
|---------------------------------------------------|-------------|-------------|-------------|
| Costs of services and product development | \$ 14.8 | \$ 12.6 | \$ 9.6 |
| Selling, general, and administrative | 17.8 | 13.5 | 11.1 |
| Total stock-based compensation expense recognized | \$ 32.6 | \$ 26.1 | \$ 20.7 |

As of December 31, 2010, the Company had \$45.7 million of total unrecognized stock-based compensation cost, which is expected to be recognized as stock-based compensation expense over the remaining weighted-average service period of approximately 1.8 years.

Stock-Based Compensation Awards

The following disclosures provide information regarding the Company's stock-based compensation awards, all of which are classified as equity awards in accordance with FASB ASC Topic 505:

Stock Appreciation Rights

Stock-settled stock appreciation rights (SARs) are settled in common shares and are similar to stock options as they permit the holder to participate in the appreciation of the Common Stock. SARs may be settled in shares of Common Stock by the employee once the applicable vesting criteria have been met. SARs vest ratably over a four-year service period and expire seven years from the grant date. The fair value of SARs awards is recognized as compensation expense on a straight-line basis over four years. SARs are awarded only to the Company's executive officers.

When SARs are exercised, the number of shares of Common Stock issued is calculated as follows: (1) the total proceeds from the SARs exercise (calculated as the closing price of the Common Stock on the date of exercise less the exercise price of the SARs, multiplied by the number of SARs exercised) is divided by (2) the closing price of the Common Stock on the exercise date. The Company withholds a portion of the shares of Common Stock issued upon exercise to satisfy minimum statutory tax withholding requirements. SARs recipients do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until after actual shares of Common Stock are issued in respect of the award, which is subject to the prior satisfaction of the vesting and other criteria relating to such grants.

The following table provides a summary of the changes in SARs outstanding for the year ended December 31, 2010:

| | SARs in millions | Per Share Weighted- Average Exercise Price | Per Share Weighted- Average Grant Date Fair Value | Weighted- Average Remaining Contractual Term |
|-------------------------------------------------|---------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Outstanding at December 31, 2009 | 2.9 | \$ 15.43 | \$ 6.09 | 4.67 years |
| Granted | 0.5 | 22.06 | 8.27 | 6.12 years |
| Forfeited | | | | |
| Exercised | (0.9) | 14.60 | 6.00 | na |
| Outstanding at December 31, 2010 (1) | 2.5 | \$ 17.22 | \$ 6.62 | 4.55 years |
| Vested and exercisable at December 31, 2010 (1) | 0.9 | \$ 17.79 | \$ 6.70 | 3.44 years |

na=not applicable

- (1) At December 31, 2010, SARs outstanding had an intrinsic value of \$40.5 million. SARs vested and exercisable had an intrinsic value of \$13.5 million.

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The fair value of the SARs grants was determined on the date of the grant using the Black-Scholes-Merton valuation model with the following weighted-average assumptions for the years ended December 31:

| | 2010 | 2009 | 2008 |
|-------------------------------------|-------------|-------------|-------------|
| Expected dividend yield (1) | 0% | 0% | 0% |
| Expected stock price volatility (2) | 40% | 50% | 36% |
| Risk-free interest rate (3) | 2.4% | 2.3% | 2.8% |
| Expected life in years (4) | 4.75 | 4.80 | 4.75 |

- (1) The dividend yield assumption is based on the history and expectation of the Company's dividend payouts. Historically Gartner has not paid cash dividends on its Common Stock.
- (2) The determination of expected stock price volatility was based on both historical Common Stock prices and implied volatility from publicly traded options in Common Stock.
- (3) The risk-free interest rate is based on the yield of a U.S. Treasury security with a maturity similar to the expected life of the award.
- (4) The expected life in years is based on the simplified calculation provided for in SAB No. 107. The simplified method determines the expected life in years based on the vesting period and contractual terms as set forth when the award is made. The Company continues to use the simplified method for awards of stock-based compensation since it does not have the necessary historical exercise and forfeiture data to determine an expected life for SARs, as permitted by SAB No. 110.

Restricted Stock, Restricted Stock Units, and Common Stock Equivalents

Restricted stock awards give the awardee the right to vote and to receive dividends and distributions on these shares; however, the awardee may not sell the restricted shares until all restrictions on the release of the shares have lapsed and the shares are released.

Restricted stock units (RSUs) give the awardee the right to receive shares of Common Stock when the vesting conditions are met and the restrictions lapse, and each RSU that vests entitles the awardee to one common share. RSU awardees do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until after the common shares are released.

Common stock equivalents (CSEs) are convertible into Common Stock, and each CSE entitles the holder to one common share. Members of our Board of Directors receive directors' fees payable in CSEs unless they opt to receive up to 50% of the fees in cash. Generally, the CSEs are converted when service as a director terminates unless the director has elected an accelerated release.

The fair value of restricted stock, RSUs, and CSEs is determined on the date of grant based on the closing price of the Common Stock as reported by the New York Stock Exchange on that date. The fair value of these awards is recognized as compensation expense as follows: (i) restricted stock awards vest based on the achievement of a market condition and are expensed on a straight-line basis over approximately three years; (ii) service-based RSUs vest ratably over four years and are expensed on a straight-line basis over four years; (iii) performance-based RSUs are subject to both performance and service conditions, vest ratably over four years, and are expensed on an accelerated basis; and (iv) CSEs vest immediately and are recorded as expense on the date of grant.

A summary of the changes in restricted stock, RSUs and CSEs during the year ended December 31, 2010 follows:

| Restricted | Per Share Weighted- Average | Restricted Stock Units | Per Share Weighted- Average | Common Stock Equivalents | Per Share Weighted- Average |
|-------------------|------------------------------------------------|-----------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------|
|-------------------|------------------------------------------------|-----------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------|

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| | Stock | Grant Date Fair Value | (RSUs) | Grant Date Fair Value | (CSEs) | Grant Date Fair Value |
|-----------------------------------------|--------------|------------------------------------------|---------------|------------------------------------------|---------------|------------------------------------------|
| Outstanding at December 31, 2009 | 200,000 | \$ 7.30 | 3,763,805 | \$ 14.57 | 135,224 | na |
| Granted (1), (2) | | | 1,619,624 | 22.18 | 18,298 | \$ 26.66 |
| Vested or released (3) | (200,000) | 7.30 | (1,443,065) | 15.23 | (36,314) | na |
| Forfeited | | | (72,093) | 16.83 | | na |
| Outstanding at December 31, 2010 (4) | | \$ | 3,868,271 | \$ 16.52 | 117,208 | na |

na=not available

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- (1) The 1.6 million RSUs granted in 2010 consisted of 0.9 million performance-based RSUs awarded to executives and 0.7 million service-based RSUs awarded to non-executive employees and certain board members. The number of performance-based RSUs granted was subject to the achievement of a performance condition tied to the annual increase in the Company's subscription-based contract value for 2010, which ranged from 0% to 200% of the target number depending on the performance level achieved. The aggregate performance-based RSU target for 2010 was 0.5 million shares. The actual performance target achieved for 2010 was approximately 174%, resulting in the grant of 0.9 million performance-based RSUs.
- (2) CSEs represent fees paid to directors. The CSEs vest when granted and are convertible into common shares when the director leaves the Board of Directors or earlier if the director elects to accelerate the release.
- (3) These restricted shares held by the Company's CEO vested in the fourth quarter of 2010 after the designated market conditions were achieved. There was no remaining unamortized cost on these shares.
- (4) The weighted-average remaining contractual term of the RSUs is 1.1 years. The CSEs have no defined contractual term.

Stock Options

Historically, the Company granted stock options to employees that allowed them to purchase shares of the Common Stock at a certain price. The Company has not made any stock option grants since 2006. All outstanding options are fully vested and there is no remaining unamortized cost. The Company received approximately \$20.7 million, \$12.2 million, and \$42.0 million in cash from option exercises in the twelve months ended December 31, 2010, 2009, and 2008, respectively.

The following table provides a summary of the changes in stock options outstanding for the year ended December 31, 2010:

| | Options in millions | Per Share Weighted- Average Exercise Price | Weighted Average Remaining Contractual Term |
|--------------------------------------|------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|
| Outstanding at December 31, 2009 | 4.7 | \$ 10.65 | 3.07 years |
| Expired | | 10.81 | na |
| Exercised (1) | (2.1) | 10.04 | na |
| Outstanding at December 31, 2010 (2) | 2.6 | \$ 11.13 | 2.59 years |

na=not applicable

- (1) Options exercised during 2010 had an aggregate intrinsic value of \$34.7 million.
- (2) At December 31, 2010, options outstanding had an aggregate intrinsic value of \$58.2 million.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (the "ESPP Plan") under which eligible employees are permitted to purchase Common Stock through payroll deductions, which may not exceed 10% of an employee's compensation (or \$23,750 in any calendar year), at a price equal to 95% of the closing price of the Common Stock as reported by the New York Stock Exchange at the end of each offering period.

At December 31, 2010, the Company had approximately 1.4 million shares available for purchase under the ESPP Plan. The ESPP Plan is considered non-compensatory under FASB ASC Topic 718, and as a result the Company does not record compensation expense related to these employee share purchases. The Company received \$2.8 million in cash from share purchases under the ESPP Plan in 2010 and \$2.7 million in both 2009 and 2008.

Table of Contents**10 COMPUTATION OF EARNINGS PER SHARE**

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of shares of Common Stock outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in earnings. When the impact of common share equivalents is antidilutive, they are excluded from the calculation.

The following table sets forth the reconciliation of the basic and diluted earnings per share computations (in thousands, except per share amounts) for the years ended December 31:

| | 2010 | 2009 | 2008 |
|----------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Numerator: | | | |
| Net income used for calculating basic and diluted earnings per common share | \$ 96,285 | \$ 82,964 | \$ 103,871 |
| Denominator: (1) | | | |
| Weighted average number of common shares used in the calculation of basic earnings per share | 95,747 | 94,658 | 95,246 |
| Common share equivalents associated with stock-based compensation plans | 4,087 | 2,891 | 3,782 |
| Shares used in the calculation of diluted earnings per share | 99,834 | 97,549 | 99,028 |
| Earnings per share: | | | |
| Basic (2) | \$ 1.01 | \$ 0.88 | \$ 1.09 |
| Diluted (2) | \$ 0.96 | \$ 0.85 | \$ 1.05 |

(1) During 2010, 2009 and 2008, the Company repurchased 3.9 million, 0.3 million, and 9.7 million shares of its Common Stock, respectively.

(2) Basic and diluted earnings per share include income from discontinued operations of \$0.07 per share in 2008. The following table presents the number of common share equivalents that were not included in the computation of diluted EPS in the table above because the effect would have been antidilutive. During periods with reported income, these common share equivalents were antidilutive because their exercise price was greater than the average market value of a share of Common Stock during the period. During periods with reported loss, all common share equivalents would have an antidilutive effect.

| | 2010 | 2009 | 2008 |
|------------------------------------------------------------------------|-------------|-------------|-------------|
| Antidilutive common share equivalents as of December 31 (in millions): | 0.5 | 1.7 | 1.3 |
| Average market price per share of Common Stock during the year | \$26.35 | \$15.52 | \$20.17 |

11 INCOME TAXES

Following is a summary of the components of income before income taxes for the years ended December 31 (in thousands):

| | 2010 | 2009 | 2008 |
|----------------------------|-------------|-------------|-------------|
| U.S. | \$ 78,933 | \$ 54,793 | \$ 79,393 |
| Non-U.S. | 55,152 | 60,733 | 65,348 |
| Income before income taxes | \$ 134,085 | \$ 115,526 | \$ 144,741 |

The expense for income taxes on the above income consists of the following components (in thousands):

| | 2010 | 2009 | 2008 |
|---------------------------------|-------------|-------------|-------------|
| Current tax expense (benefit): | | | |
| U.S. federal | \$ 9,078 | \$ 8,749 | \$ 10,564 |
| State and local | 2,645 | 3,107 | 3,341 |
| Foreign | 10,341 | 14,340 | 15,614 |
| Total current | 22,064 | 26,196 | 29,519 |
| Deferred tax (benefit) expense: | | | |
| U.S. federal | 4,263 | 7,477 | (547) |
| State and local | 72 | 3,168 | 1,848 |
| Foreign | (6,013) | 1,281 | (2,798) |
| Total deferred | (1,678) | 11,926 | (1,497) |
| Total current and deferred | 20,386 | 38,122 | 28,022 |

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| | 2010 | 2009 | 2008 |
|------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Benefit (expense) relating to interest rate swap used to increase (decrease) equity | (2,523) | (2,530) | 3,776 |
| Benefit from stock transactions with employees used to increase equity | 18,559 | 621 | 15,876 |
| Benefit (expense) relating to defined-benefit pension adjustments used to increase (decrease) equity | 375 | (296) | (594) |
| Benefit (expense) of acquired tax assets (liabilities) used to decrease (increase) goodwill | 1,003 | (3,355) | 513 |
| Tax expense on continuing operations | 37,800 | 32,562 | 47,593 |
| Tax expense on discontinued operations | | | 622 |
| Total tax expense | \$ 37,800 | \$ 32,562 | \$ 48,215 |

Current and long-term deferred tax assets and liabilities are comprised of the following (in thousands):

| | December 31, | |
|-------------------------------|---------------------|-------------|
| | 2010 | 2009 |
| Depreciation | \$ | \$ 3,261 |
| Expense accruals | 39,892 | 28,751 |
| Loss and credit carryforwards | 19,999 | 35,232 |
| Other assets | 21,843 | 25,213 |
| Gross deferred tax asset | 81,734 | 92,457 |
| Depreciation | (5,595) | |
| Intangible assets | (14,816) | (17,259) |
| Prepaid expenses | (9,342) | (7,098) |
| Other liabilities | (110) | (1,190) |
| Gross deferred tax liability | (29,863) | (25,547) |
| Valuation allowance | (2,634) | (19,692) |
| Net deferred tax asset | \$ 49,237 | \$ 47,218 |

Current net deferred tax assets and current net deferred tax liabilities were \$28.4 million and \$0.4 million as of December 31, 2010 and \$19.0 million and \$1.2 million as of December 31, 2009, respectively, and are included in Prepaid expenses and other current assets and Accounts payable and accrued liabilities in the Consolidated Balance Sheets. Long-term net deferred tax assets and long-term net deferred tax liabilities were \$21.2 million and \$0.0 million as of December 31, 2010 and \$29.5 million and \$0.1 million as of December 31, 2009, respectively, and are included in Other assets and Other liabilities in the Consolidated Balance Sheets. It is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

The valuation allowances in 2010 relate primarily to non-U.S. net operating losses and domestic capital loss carryforwards that more likely than not will expire unutilized. The valuation allowances in 2009 relate primarily to those items as well as domestic foreign tax credits. The net decrease in valuation allowance of \$17.1 million in 2010 relates primarily to the following items: (a) the release of approximately \$6.0 million of valuation allowance for changes in both actual and anticipated utilization of foreign tax credits, (b) the release of approximately \$5.4 million of valuation allowance for changes in both actual and anticipated utilization of foreign net operating losses, and (c) the release of approximately \$5.5 million of valuation allowance on federal and state capital loss carryovers.

The Company has established a full valuation allowance against domestic realized and unrealized capital losses, as the future utilization of these losses is uncertain. As of December 31, 2010, the Company had U.S. federal capital loss carryforwards of \$2.1 million, the majority of which will expire in 2012. The Company also had \$2.1 million in state

and local capital loss carryforwards that expire over a similar period of time.

As of December 31, 2010, the Company had state and local tax net operating loss carryforwards of \$154.5 million, of which \$5.4 million expire within one to five years, \$110.0 million expire within six to fifteen years, and \$39.1 million expire within sixteen to twenty years. In addition, the Company had non-U.S. net operating loss carryforwards of \$29.0 million, of which \$3.3 million expire over the next 20 years and \$25.7 million that can be carried forward indefinitely. As of December 31, 2010 the Company also had foreign tax credit carryforwards of \$4.3 million, the majority of which expire in 2018.

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The differences between the U.S. federal statutory income tax rate and the Company's effective tax rate on income before income taxes for the years ended December 31 follow:

| | 2010 | 2009 | 2008 |
|--------------------------------------------------|-------------|-------------|-------------|
| Statutory tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | 3.3 | 3.0 | 2.8 |
| Foreign income taxed at different rates | (6.2) | (5.0) | (4.4) |
| Repatriation of foreign earnings | 8.5 | 4.1 | 7.6 |
| Record (release) valuation allowance | (12.7) | (4.5) | (9.2) |
| Foreign tax credits | (0.8) | (1.9) | (1.0) |
| (Release) increase reserve for tax contingencies | 2.0 | (3.5) | (0.3) |
| Other items (net) | (0.9) | 1.0 | 2.4 |
| Effective tax rate | 28.2% | 28.2% | 32.9% |

As of December 31, 2010 and December 31, 2009, the Company had gross unrecognized tax benefits of \$15.8 million and \$13.8 million respectively. The increase is primarily attributable to uncertainties surrounding the utilization of certain carryforward attributes. It is reasonably possible that the gross unrecognized tax benefits will be decreased by \$0.1 million within the next 12 months due primarily to anticipated settlements and the expiration of certain statutes of limitation.

The Company classifies uncertain tax positions not expected to be settled within one year as long term liabilities. As of December 31, 2010 and December 31, 2009, the Company had Other Liabilities of \$15.7 million and \$13.5 million respectively related to long term uncertain tax positions.

The Company records accrued interest and penalties related to unrecognized tax benefits in its income tax provision. As of December 31, 2010 and December 31, 2009, the Company had \$3.8 million and \$2.8 million of accrued interest and penalties respectively, related to unrecognized tax benefits. These amounts are in addition to the gross unrecognized tax benefits noted above. The total amount of interest and penalties recognized in the Consolidated Statements of Operations for years ending December 31, 2010 and 2009 was \$1.0 million and \$(0.5) million, respectively.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, for the years ending December 31 (in thousands):

| | 2010 | 2009 |
|--------------------------------------------------------------|-------------|-------------|
| Beginning balance | \$ 13,804 | \$ 16,347 |
| Additions based on tax positions related to the current year | 3,999 | 953 |
| Additions for tax positions of prior years | 592 | 415 |
| Reductions for tax positions of prior years | (137) | (334) |
| Reductions for expiration of statutes | (610) | (3,349) |
| Settlements | (1,668) | (447) |
| Change in foreign currency exchange rates | (156) | 219 |
| Ending balance | \$ 15,824 | \$ 13,804 |

In 2010, the Company repatriated approximately \$85.0 million from its foreign subsidiaries. The cash cost of the repatriation was offset with the utilization of foreign tax credits and capital loss carryovers.

The number of years with open statutes of limitation varies depending on the tax jurisdiction. Generally, the Company's statutes are open for tax years ended December 31, 2006 and forward. Major taxing jurisdictions include the U.S. (federal and state), the United Kingdom, Germany, Italy, Canada, Japan, the Netherlands, and Ireland.

The Internal Revenue Service (IRS) has completed its examination of the federal income tax return of the Company for the tax year ended December 31, 2007. In December 2010, the Company received a report of the audit findings. The Company disagrees with certain of the proposed adjustments and intends to vigorously dispute this matter through applicable IRS and judicial procedures, as appropriate. The Company believes that it has recorded reserves sufficient to cover exposures related to these issues. However, the resolution of such matters involves uncertainties and there are no assurances that the ultimate resolution will not exceed the amounts recorded. Although the final resolution of the proposed adjustments is uncertain, we believe the ultimate disposition of this matter will not have a material adverse effect on our consolidated financial position, cash flows, or results of operations.

As of December 31, 2010, the Company did not have any undistributed earnings of subsidiaries outside of the United States. Accordingly, no provision for United States federal and state income taxes has been provided thereon.

Table of Contents**12 DERIVATIVES AND HEDGING**

The Company enters into a limited number of derivative contracts to offset the potentially negative economic effects of interest rate and foreign exchange movements. The Company accounts for its outstanding derivative contracts in accordance with FASB ASC Topic 815, which requires all derivatives, to include derivatives designated as accounting hedges, to be recorded on the balance sheet at fair value.

The following tables provide information regarding the Company's outstanding derivatives contracts as of, and for, the twelve months ended (in thousands, except for number of outstanding contracts):

December 31, 2010

| Derivative Contract Type | Number of | Contract | Fair Value | Balance Sheet | Unrealized Gain (Loss) Recorded in |
|-------------------------------|-------------|------------|-------------------|----------------------|------------------------------------|
| | Outstanding | Notional | Asset (Liability) | | |
| | Contracts | Amount | (5) | Line Item | OCI (6) |
| Interest Rate Swap (1) | 1 | \$ 76,500 | \$ (2,625) | Other Liabilities | \$ |
| Interest Rate Swap (2) | 1 | 71,250 | (1,341) | Other Liabilities | |
| Interest Rate Swap (3) | 1 | 200,000 | (2,101) | Other Liabilities | (1,261) |
| Foreign Currency Forwards (4) | 63 | 250,220 | 618 | Other Current Assets | |
| Total | 66 | \$ 597,970 | \$ (5,449) | | \$ (1,261) |

December 31, 2009

| Derivative Contract Type | Number of | Contract | Fair Value | Balance Sheet | Unrealized Gain (Loss) Recorded in |
|-------------------------------|-------------|------------|-------------------|----------------------|------------------------------------|
| | Outstanding | Notional | Asset (Liability) | | |
| | Contracts | Amount | (5) | Line Item | OCI (6) |
| Interest Rate Swap (1) | 1 | \$ 126,000 | \$ (6,594) | Other Liabilities | \$ (3,956) |
| Interest Rate Swap (2) | 1 | 112,500 | (2,769) | Other Liabilities | (1,090) |
| Foreign Currency Forwards (4) | 19 | 117,300 | 740 | Other Current Assets | |
| Total | 21 | \$ 355,800 | \$ (8,623) | | \$ (5,046) |

(1) Changes in fair value of this swap have been recognized in earnings beginning in the third quarter of 2010. The swap was previously designated as a cash flow hedge of the forecasted interest payments on the Company's debt, and as a result the changes in fair value were recorded in OCI, net of tax effect. Hedge accounting on this interest rate swap was discontinued in the third quarter of 2010. In December 2010 the Company refinanced its debt, and as a result the remaining deferred losses previously recorded in OCI were charged to expense (see Note 6 Debt). The swap matures in January 2012.

(2) Changes in fair value of this swap have been recognized in earnings beginning in the third quarter of 2009. The swap was previously designated as a cash flow hedge of the forecasted interest payments on the Company's debt, and as a result the changes in fair value were recorded in OCI, net of tax effect. Hedge accounting on this interest

rate swap was discontinued in the third quarter of 2009. In December 2010 the Company refinanced its debt, and as a result the remaining deferred losses previously recorded in OCI were charged to expense (see Note 6 Debt). The swap matures in January 2012.

- (3) The Company entered into this swap on December 22, 2010. The Company designated and accounts for this swap as a cash flow hedge of the forecasted interest payments on borrowings (see Note 6 Debt).
- (4) The Company has foreign exchange transaction risk since it typically enters into transactions in the normal course of business that are denominated in foreign currencies that differ from the local functional currencies. The Company enters into short-term foreign currency forward exchange contracts to offset the economic effects of these foreign currency transaction risks. These contracts are accounted for at fair value with realized and unrealized gains and losses recognized in Other income (expense), net since the Company does not designate these contracts as hedges for accounting purposes. All 63 of the outstanding contracts at December 31, 2010 matured by the end of January 2011.
- (5) See Note 13 Fair Value Disclosures for the determination of the fair value of these instruments.
- (6) Represents the unrealized gain (loss) recorded in OCI, net of tax effect.

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At December 31, 2010 the Company's derivative counterparties were all large investment grade financial institutions. The Company did not have any collateral arrangements with its derivative counterparties, and none of the derivative contracts contained credit-risk related contingent features.

The following table provides information regarding derivative gains and losses that have been recognized in the Consolidated Statements of Operations for the years ended December 31 (in thousands):

| Amount recorded in: | 2010 | 2009 | 2008 |
|---------------------------------|-------------|-------------|-------------|
| Interest expense, net (1) | \$ 10.7 | \$ 9.6 | \$ 2.0 |
| Other (income) expense, net (2) | (2.8) | (0.7) | 0.6 |
| Total expense, net | \$ 7.9 | \$ 8.9 | \$ 2.6 |

(1) Includes interest expense recorded on interest rate swap contracts.

(2) Includes realized and unrealized gains and losses on foreign currency forward contracts.

13 FAIR VALUE DISCLOSURES

FASB ASC Topic 820 provides a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the resulting fair value measurement. The valuation hierarchy contains three levels:

Level 1 Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the asset or liability being measured.

Level 3 Valuation inputs are unobservable and significant to the fair value measurement.

The Company's financial instruments include cash and cash equivalents, fees receivable from customers, accounts payable, and accruals which are normally short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximates their fair value.

At December 31, 2010, the Company had \$220.0 million of floating rate debt outstanding under its 2010 Credit Agreement, which is carried at amortized cost. The Company believes the carrying amount of the debt reasonably approximates its fair value as the rate of interest on the term loan and revolver are floating rate which reflect current market rates of interest for similar instruments with comparable maturities.

The following table presents Company assets and liabilities measured at fair value on a recurring basis utilizing Level 1 and Level 2 measurement inputs (in thousands):

| Description: | Fair Value December 31, 2010 | Fair Value December 31, 2009 |
|----------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Assets: | | |
| Deferred compensation plan assets (1) | \$ 24,113 | \$ 20,214 |
| Foreign currency forward contracts (2) | 618 | 740 |
| | \$ 24,731 | \$ 20,954 |
| Liabilities: | | |
| Interest rate swap contracts (3) | \$ 6,067 | \$ 9,363 |

- (1) The Company has a supplemental deferred compensation arrangement for the benefit of certain highly compensated officers, managers and other key employees (see Note 14 Employee Benefits). The plan's assets consist of investments in money market and mutual funds, and company-owned life insurance.

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The money market and mutual funds consist of cash equivalents and securities traded in active markets, and the Company considers the fair value of these assets to be based on a Level 1 input. These assets had a fair value of \$7.5 million and \$8.4 million as of December 31, 2010 and 2009, respectively. The fair value of the Company-owned life insurance is based on indirectly observable prices which the Company considers to be Level 2 inputs. These assets had a fair value of \$16.6 million and \$11.8 million at December 31, 2010 and 2009, respectively.

- (2) The Company enters into foreign currency forward exchange contracts to hedge the effects of adverse fluctuations in foreign currency exchange rates (see Note 12 Derivatives and Hedging). Valuation of the foreign currency forward contracts is based on foreign currency exchange rates in active markets; thus the Company measures the fair value of these contracts under a Level 2 input.
- (3) The Company has three interest rate swap contracts (see Note 12 Derivatives and Hedging). To determine the fair value of the swaps, the Company relies on mark-to-market valuations prepared by third-party brokers based on observable interest rate yield curves. Accordingly, the fair value of the swaps is determined under a Level 2 input.

With the exception of goodwill, the Company does not utilize Level 3 valuation inputs to measure any of its assets or liabilities. Level 3 inputs are used by the Company in its periodic impairment reviews of goodwill. Information regarding the periodic assessment of goodwill is included in Note 1 Business and Significant Accounting Policies.

14 EMPLOYEE BENEFITS

Savings and investment plan. The Company has a savings and investment plan covering substantially all domestic employees. Company contributions are based upon the level of employee contributions, up to a maximum of 4% of the employee's eligible salary, subject to an annual maximum. For 2010, the maximum match was \$6,600. In addition, the Company also contributes at least 1% of an employee's base compensation, subject to an IRS annual limitation of \$2,450 for 2010. Amounts expensed in connection with the plan totaled \$14.6 million, \$13.0 million, and \$12.5 million, in 2010, 2009, and 2008, respectively.

Deferred compensation arrangement. The Company has a supplemental deferred compensation arrangement for the benefit of certain highly compensated officers, managers and other key employees which is structured as a rabbi trust. The plan's investment assets are classified in Other assets on the Consolidated Balance Sheets at fair value. The value of the assets was \$24.1 million and \$20.2 million at December 31, 2010 and 2009, respectively.

The corresponding deferred compensation liability of \$26.9 million and \$23.0 million at December 31, 2010 and 2009, respectively, is carried at fair value, and is adjusted with a corresponding charge or credit to compensation cost to reflect the fair value of the amount owed to the employees and is included in Other liabilities on the Consolidated Balance Sheets. Total compensation expense (benefit) recognized for this arrangement was zero in 2010, \$0.1 million in 2009, and \$(0.4) million in 2008.

Defined benefit pension plans. The Company has defined-benefit pension plans in several of its international locations. Benefits earned under these plans are based on years of service and level of employee compensation. The Company accounts for material defined benefit plans in accordance with the requirements of FASB ASC Topics 715 and 960.

The following are the components of net periodic pension expense for the years ended December 31 (in thousands):

| | 2010 | 2009 | 2008 |
|--------------------------------------|-------------|-------------|-------------|
| Service cost | \$ 1,875 | \$ 1,465 | \$ 1,470 |
| Interest cost | 840 | 742 | 717 |
| Recognition of actuarial (gain)/loss | (350) | (200) | (74) |
| Recognition of termination benefits | 65 | 192 | 40 |
| Net periodic pension expense | \$ 2,430 | \$ 2,199 | \$ 2,153 |

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The following are the assumptions used in the computation of net periodic pension expense for the years ended December 31:

| | 2010 | 2009 | 2008 |
|--------------------------------|-------------|-------------|-------------|
| Weighted-average discount rate | 3.95% | 4.85% | 5.09% |
| Average compensation increase | 2.80% | 3.27% | 3.27% |

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The weighted-average discount rate was determined by utilizing the yields on long-term corporate bonds in the relevant country with a duration consistent with the pension obligations.

The following table provides information related to changes in the projected benefit obligation (in thousands):

| | December 31, | | |
|---------------------------------------------------|---------------------|-------------|-------------|
| | 2010 | 2009 | 2008 |
| Projected benefit obligation at beginning of year | \$ 14,358 | \$ 13,286 | \$ 13,224 |
| Service cost | 1,875 | 1,465 | 1,470 |
| Interest cost | 840 | 742 | 717 |
| Actuarial gain | 1,100 | (1,034) | (1,799) |
| Addition of foreign pension plan (1) | 1,961 | | |
| Benefits paid (2) | (220) | (562) | (583) |
| Foreign currency impact | (184) | 461 | 257 |
| Projected benefit obligation at end of year (3) | \$ 19,730 | \$ 14,358 | \$ 13,286 |

(1) The Company adopted the defined benefit pension plan accounting provisions of FASB ASC Topics 715 and 960 for a foreign pension plan during 2010. The impact of this adoption was immaterial to the Company's Consolidated Financial Statements.

(2) The estimated benefits to be paid in future years are as follows: \$0.3 million in 2011; \$0.4 million in 2012; \$1.0 million in 2013; \$1.1 million in 2014; \$0.6 million in 2015; and \$4.7 million in the five years thereafter.

(3) Measured as of December 31.

The following table provides information related to the funded status of the plans and the amounts recorded in the Consolidated Balance Sheets (in thousands):

| | December 31, | | |
|-------------------------------------------------------------|---------------------|-------------|-------------|
| | 2010 | 2009 | 2008 |
| Funded status of the plans: | | | |
| Projected benefit obligation | \$ 19,730 | \$ 14,358 | \$ 13,286 |
| Plan assets at fair value (1) | (2,130) | | |
| Funded status (2) | \$ 17,600 | \$ 14,358 | \$ 13,286 |
| <i>Amounts recorded in the Consolidated Balance Sheets:</i> | | | |
| Other assets — reinsurance asset (3) | \$ 11,680 | \$ 10,451 | \$ 9,141 |
| Other liabilities — accrued pension obligation | \$ 17,600 | \$ 14,358 | \$ 13,286 |
| Stockholders' equity — unrealized actuarial gain (4) | \$ 2,205 | \$ 3,217 | \$ 2,777 |

(1) The \$2.1 million plan asset as of December 31, 2010 represents the assets of a defined benefit pension plan for which the Company adopted the accounting provisions of FASB ASC Topics 715 and 960 in 2010. These assets are considered assets of the plan for accounting purposes and are thus not recorded on the Company's Consolidated Balance Sheets. The assets are maintained with a third-party insurance company and are invested in a diversified portfolio of equities, bonds, and other investments. The projected long-term rate of return on these plan assets is 5.0%.

- (2) The Company expects to contribute \$0.7 million to the plans in 2011.
- (3) Consists of a reinsurance asset arrangement with a large international insurance company that was rated investment grade as of December 31, 2010. The purpose of the reinsurance asset arrangement is to fund the benefit obligation under one of the Company's foreign defined benefit pension plans. However, the reinsurance asset is not legally segregated or restricted for purposes of meeting the pension obligation and as a result is not acknowledged as a pension plan asset for accounting purposes. As a result, the reinsurance asset is carried on the Company's Consolidated Balance Sheets at its cash surrender value, which the Company believes reasonably approximates its fair value.
- (4) The balance recorded in Stockholders' equity, net of tax effect represents the plan's net unrealized actuarial gain which will be amortized to net periodic pension cost over approximately 15 years. Amortization of the unrealized gain at December 31, 2010 is projected to reduce the Company's net periodic pension cost in 2011 by approximately \$0.1 million.

Table of Contents**15 SEGMENT INFORMATION**

The Company manages its business in three reportable segments: Research, Consulting and Events. Research consists primarily of subscription-based research products, access to research inquiry, as well as peer networking services and membership programs. Consulting consists primarily of consulting, measurement engagements, and strategic advisory services. Events consists of various symposia, conferences and exhibitions.

The Company evaluates reportable segment performance and allocates resources based on gross contribution margin. Gross contribution, as presented in the table below, is defined as operating income excluding certain COS and SG&A expenses, depreciation, acquisition and integration charges, amortization of intangibles, and Other charges. Certain bonus and fringe benefit costs included in consolidated COS are not allocated to segment expense. The accounting policies used by the reportable segments are the same as those used by the Company. There are no intersegment revenues.

The Company earns revenue from clients in many countries. Other than the United States, there is no individual country in which revenues from external clients represent 10% or more of the Company's consolidated revenues. Additionally, no single client accounted for 10% or more of total revenue and the loss of a single client, in management's opinion, would not have a material adverse effect on revenues.

The Company does not identify or allocate assets, including capital expenditures, by reportable segment. Accordingly, assets are not being reported by segment because the information is not available by segment and is not reviewed in the evaluation of performance or making decisions in the allocation of resources.

The following tables present operating information about the Company's reportable segments for the years ended December 31 (in thousands):

| | Research | Consulting | Events | Consolidated |
|------------------------------|-----------------|-------------------|---------------|---------------------|
| <i>2010</i> | | | | |
| Revenues | \$ 865,000 | \$ 302,117 | \$ 121,337 | \$ 1,288,454 |
| Gross contribution | 564,527 | 121,885 | 55,884 | 742,296 |
| Corporate and other expenses | | | | (593,031) |
| Operating income | | | | \$ 149,265 |

| | Research | Consulting | Events | Consolidated |
|------------------------------|-----------------|-------------------|---------------|---------------------|
| <i>2009</i> | | | | |
| Revenues | \$ 752,505 | \$ 286,847 | \$ 100,448 | \$ 1,139,800 |
| Gross contribution | 489,862 | 112,099 | 40,945 | 642,906 |
| Corporate and other expenses | | | | (508,429) |
| Operating income | | | | \$ 134,477 |

| | Research | Consulting | Events | Consolidated |
|------------------------------|-----------------|-------------------|---------------|---------------------|
| <i>2008</i> | | | | |
| Revenues | \$ 781,581 | \$ 347,404 | \$ 150,080 | \$ 1,279,065 |
| Gross contribution | 495,440 | 141,395 | 64,954 | 701,789 |
| Corporate and other expenses | | | | (537,421) |
| Operating income | | | | \$ 164,368 |

The Company's revenues are generated primarily through direct sales to clients by domestic and international sales forces and a network of independent international sales agents. Most of the Company's products and services are

provided on an integrated worldwide basis, and because of this integrated delivery, it is not practical to separate precisely our revenues by geographic location. Accordingly, the separation set forth in the table below is based upon internal allocations, which involve certain management estimates and judgments. Revenues in the table are reported based on where the sale is fulfilled; Other International revenues are those attributable to all areas located outside of the United States, Canada, and Europe, Middle East, Africa.

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Summarized information by geographic location as of and for the years ended December 31 follows (in thousands):

| | 2010 | 2009 | 2008 |
|--------------------------------|---------------------|---------------------|---------------------|
| Revenues: | | | |
| United States and Canada | \$ 765,793 | \$ 663,832 | \$ 723,247 |
| Europe, Middle East and Africa | 380,771 | 360,791 | 430,401 |
| Other International | 141,890 | 115,177 | 125,417 |
| Total revenues | \$ 1,288,454 | \$ 1,139,800 | \$ 1,279,065 |
| Long-lived assets (1): | | | |
| United States and Canada | \$ 69,163 | \$ 65,896 | \$ 67,753 |
| Europe, Middle East and Africa | 21,856 | 21,924 | 19,324 |
| Other International | 6,175 | 2,404 | 4,325 |
| Total long-lived assets | \$ 97,194 | \$ 90,224 | \$ 91,402 |

(1) Excludes goodwill and other intangible assets.

16 VALUATION AND QUALIFYING ACCOUNTS

The following table summarizes activity in the Company's allowance for doubtful accounts and returns and allowances (in thousands):

| | Balance at Beginning of Year | Additions Charged to Costs and Expenses | Additions Charged Against Other Accounts (1) | Deductions from Reserve | Balance at End of Year |
|------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------|---------------------------------------|
| 2008: | | | | | |
| Allowance for doubtful accounts and returns and allowances | \$ 8,450 | \$ 1,650 | \$ 5,000 | \$ (7,300) | \$ 7,800 |
| 2009: | | | | | |
| Allowance for doubtful accounts and returns and allowances | \$ 7,800 | \$ 2,100 | \$ 6,000 | \$ (7,800) | \$ 8,100 |
| 2010: | | | | | |
| Allowance for doubtful accounts and returns and allowances | \$ 8,100 | \$ 800 | \$ 2,000 | \$ (3,700) | \$ 7,200 |

(1) Amounts charged against revenues.

17 SUBSEQUENT EVENT

On February 15, 2011, the Company announced that ValueAct Capital Master Fund L.P. (ValueAct Capital) will sell approximately 8,000,000 shares of the Company's Common Stock in a registered public offering underwritten by Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co. The underwriters will also have an option to purchase

up to an additional 1,200,000 shares of the Company's Common Stock from ValueAct Capital to cover over-allotments, if any. The Company will not receive any proceeds from the sale of the shares of its Common Stock in the offering.

The Company also announced it has entered into an agreement with ValueAct Capital pursuant to which the Company will purchase an aggregate of 500,000 shares of its Common Stock from ValueAct Capital at the net price per share to be received by ValueAct Capital in the offering, so long as the public offering is completed.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this Report on Form 10-K to be signed on its behalf by the undersigned, duly authorized, in Stamford, Connecticut, on February 15, 2011.

Gartner, Inc.

Date: February 15, 2011

By: /s/ Eugene A. Hall

Eugene A. Hall
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below appoints Eugene A. Hall and Christopher J. Lafond and each of them, acting individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in all capacities, to sign all amendments to this Report on Form 10-K, and to file the same, with appropriate exhibits and other related documents, with the Securities and Exchange Commission. Each of the undersigned, ratifies and confirms his or her signatures as they may be signed by his or her attorney-in-fact to any amendments to this Report. Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Name | Title | Date |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------|
| /s/ Eugene A. Hall Eugene A. Hall | Director and Chief Executive Officer (Principal Executive Officer) | February 15, 2011 |
| /s/ Christopher J. Lafond Christopher J. Lafond | Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) | February 15, 2011 |
| /s/ Michael J. Bingle Michael J. Bingle | Director | February 15, 2011 |
| /s/ Richard J. Bressler Richard J. Bressler | Director | February 15, 2011 |
| /s/ Karen E. Dykstra Karen E. Dykstra | Director | February 15, 2011 |
| /s/ Russell P. Fradin Russell P. Fradin | Director | February 15, 2011 |
| /s/ Anne Sutherland Fuchs Anne Sutherland Fuchs | Director | February 15, 2011 |
| /s/ William O. Grabe William O. Grabe | Director | February 15, 2011 |

William O. Grabe

/s/ Stephen G. Pagliuca

Director

February 15, 2011

Stephen G. Pagliuca

/s/ James C. Smith

Director

February 15, 2011

James C. Smith

/s/ Jeffrey W. Ubben

Director

February 15, 2011

Jeffrey W. Ubben