

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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTER ENDED MARCH 31, 2000

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-14443

GARTNER GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware

04-3099750

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

P.O. Box 10212
56 Top Gallant Road
Stamford, CT

06904-2212
(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (203) 316-1111

Indicate by check mark whether the Registrant (1) has filed all reports 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 .

The number of shares outstanding of the Registrant's capital stock as of
March 31, 2000 was 53,586,747 shares of Common Stock, Class A and 33,692,616
shares of Common Stock, Class B.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
ITEM 1:	FINANCIAL STATEMENTS	Page
	Condensed Consolidated Balance Sheets at March 31, 2000 and September 30, 1999	3
	Condensed Consolidated Statements of Operations for the Three and Six Months ended March 31, 2000 and 1999	4
	Condensed Consolidated Statements of Cash Flows for the Six Months ended March 31, 2000 and 1999	5
	Notes to Condensed Consolidated Financial Statements	6
ITEM 2:	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	9
ITEM 3:	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS	15
PART II	OTHER INFORMATION	
ITEM 6:	EXHIBITS AND REPORTS ON FORM 8-K	16

PART I FINANCIAL INFORMATION
Item 1 Financial Statements

GARTNER GROUP, INC.

Condensed Consolidated Balance Sheets
(Unaudited in thousands)

	March 31, 2000	September 30, 1999
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,486	\$ 88,894
Fees receivable, net	295,713	282,047
Deferred commissions	23,757	31,332
Prepaid expenses and other current assets	31,279	29,911
	-----	-----
Total current assets	420,235	432,184
Property, equipment and leasehold improvements, net	73,958	63,592
Intangible assets, net	326,092	223,100
Other assets	118,145	84,568
	-----	-----
Total assets	\$938,430	\$803,444
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$137,626	\$ 95,869
Commissions payable	12,249	23,235
Deferred revenues	348,442	354,517
	-----	-----
Total current liabilities	498,317	473,621
	-----	-----
Long term debt	360,000	250,000
Other liabilities	5,147	5,337
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	--	--
Common stock	59	58
Additional paid-in capital	326,141	314,829
Unearned compensation	(7,901)	(8,280)
Accumulated other comprehensive income	(4,385)	(3,830)
Accumulated earnings	175,989	156,740
Treasury stock, at cost	(414,937)	(385,031)
	-----	-----
Total stockholders' equity	74,966	74,486
	-----	-----
Total liabilities and stockholders' equity	\$938,430	\$803,444
	=====	=====

See accompanying notes

GARTNER GROUP, INC.

Condensed Consolidated Statements of Operations
(Unaudited in thousands, except per share data)

	For the three months ended March 31,		For the six months ended March 31,	
	2000	1999	2000	1999
Revenues:				
Research	\$123,324	\$116,028	\$255,603	\$238,434
Services	53,153	35,634	87,613	62,754
Events	11,339	10,719	60,248	46,551
Other	5,577	8,947	12,826	13,969
Total revenues	193,393	171,328	416,290	361,708
Costs and expenses:				
Cost of services and product development	80,674	60,377	178,092	139,727
Selling, general and administrative	80,147	59,132	159,665	116,984
Other charges	11,450	4,426	17,501	4,426
Depreciation	6,719	5,284	12,592	10,517
Amortization of intangibles	3,982	2,499	7,049	4,702
Total costs and expenses	182,972	131,718	374,899	276,356
Operating income	10,421	39,610	41,391	85,352
Gain on partial sale of minority investment	13,068	--	13,068	--
Interest income	476	2,609	1,208	5,111
Interest expense	(6,192)	(9)	(11,915)	(35)
Income before provision for income taxes	17,773	42,210	43,752	90,428
Provision for income taxes	14,985	13,369	24,502	31,499
Net income	\$ 2,788	\$ 28,841	\$ 19,250	\$ 58,929
Earnings per common share:				
Basic	\$ 0.03	\$ 0.28	\$ 0.22	\$ 0.57
Diluted	\$ 0.03	\$ 0.27	\$ 0.21	\$ 0.56
Weighted average common shares outstanding:				
Basic	87,040	103,535	87,788	102,641
Diluted	90,512	106,805	90,479	105,706

See accompanying notes

GARTNER GROUP, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited in thousands)

	For the six months ended March 31,	
	2000	1999
Operating activities:		
Net income	\$ 19,250	\$ 58,929
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	19,641	15,219
Restricted stock compensation	380	217
Provision for doubtful accounts	1,756	2,028
Equity losses of minority owned companies	1,209	617
Deferred revenues	(5,674)	4,474
Deferred tax benefit (provision)	101	(1,203)
Gain on partial sale of minority investment	(13,068)	--
Changes in assets and liabilities, net of effects of acquisitions:		
Increase in fees receivable	(12,882)	(7,614)
Decrease in deferred commissions	7,189	6,060
(Increase) decrease in prepaid expenses and other current assets	(700)	4,768
Increase in other assets	(1,393)	(1,962)
Increase (decrease) in accounts payable and accrued liabilities	28,914	(31,670)
Decrease in commissions and accrued bonuses payable	(10,964)	(9,730)
Cash provided by operating activities	33,759	40,133
Investing activities:		
Payment for businesses acquired (excluding cash acquired)	(108,111)	(26,245)
Proceeds from partial sale of minority investment	15,899	--
Additions of property, equipment and leasehold improvements, net	(22,055)	(13,634)
Marketable securities sold, net	--	18,955
Investments in unconsolidated subsidiaries	(19,390)	(2,775)
Cash used for investing activities	(133,657)	(23,699)
Financing activities:		
Issuance of common stock	4,948	9,873
Proceeds from employee stock purchase plan offering	2,499	2,469
Tax benefits of stock transactions with employees	1,456	8,467
Proceeds from issuance of debt	110,000	--
Payments for modification of debt agreement	(938)	--
Net cash settlement on forward purchase agreement	(6,839)	(8,438)
Purchase of treasury stock	(29,910)	(1,177)
Cash provided by financing activities	81,216	11,194
Net (decrease) increase in cash and cash equivalents	(18,682)	27,628
Effects of foreign exchange rates on cash and cash equivalents	(726)	(259)
Cash and cash equivalents, beginning of period	88,894	157,744
Cash and cash equivalents, end of period	\$ 69,486	\$185,113

See accompanying notes

GARTNER GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of Gartner Group, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 1999. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The results of operations for the three and six month periods ended March 31, 2000 may not be indicative of the results of operations for the remainder of fiscal 2000.

Note 2 - Other Charges

During fiscal 1999, the Company's Board of Directors approved a special one-time cash incentive plan designed to enhance retention of key personnel to be earned and paid in three installments. The final installment of the retention incentive of approximately \$11.5 million was vested and paid during the second quarter of fiscal 2000. For the six months ended March 31, 2000, retention incentives totaling approximately \$17.5 million were incurred and paid.

In the second quarter of fiscal 1999, the Company recorded other charges totaling approximately \$4.4 million related to the Company's reorganization and recapitalization. Approximately one-half of the charge related to severance benefits as a result of certain job eliminations associated with the reorganization. The remainder of the charge pertains to legal and advisory fees associated with the recapitalization.

Note 3 - Investment in Marketable Securities

During the quarter ended March 31, 2000, a company in which the Company holds an investment accounted for under the cost method, completed an initial public offering of its common stock. Under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"), the investment has been classified as an available for sale security. FAS 115 requires that available for sale securities be carried at fair value with unrealized holding gains, net of tax, reported as Accumulated other comprehensive income, a separate component of Stockholders' equity, until realized. For the six months ended March 31, 2000, the Company recorded an unrealized holding gain, net of taxes, on the marketable security of \$3.5 million.

Note 4 - Acquisitions

On March 21, 2000, the Company acquired 90% of the outstanding common stock of TechRepublic, Inc. ("TechRepublic") for approximately \$78.5 million in cash. TechRepublic is an online destination developed exclusively for IT professionals by IT professionals and provides career insight, community interaction, and customized content to CIOs, IT managers, network administrators, support professionals, training providers, and other enterprise computing professionals. The TechRepublic web site offerings include IT industry news, newsletters, analysis, columns, articles, downloads, forums, event listings and job, peer and vendor directories. The acquisition was accounted for by the purchase method,

and the purchase price has been allocated to the assets acquired and the liabilities assumed, based upon estimated fair market values at the date of the acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was approximately \$82.5 million, of which \$78.8 million has been allocated to goodwill (non-deductible for tax purposes), which is being amortized over 3 years. In addition, \$3.7 million of the purchase price was allocated to non-compete agreements which are being amortized over 3 years.

Note 5 - Computations of Earnings per Share of Common Stock

The following table sets forth the reconciliation of the basic and diluted earnings per share computations (in thousands, except per share data):

	For the three months ended March 31,		For the six months ended March 31,	
	2000	1999	2000	1999
Numerator:				
Net income	\$ 2,788	\$ 28,841	\$19,250	\$ 58,929
Denominator				
Denominator for basic earnings per share - weighted average number of common shares outstanding	87,040	103,535	87,788	102,641
Effect of dilutive securities:				
Weighted average number of common shares under warrant outstanding	--	167	--	144
Weighted average number of option shares outstanding	3,472	3,103	2,691	2,921
Dilutive potential common shares	3,472	3,270	2,691	3,065
Denominator for diluted earnings per share - adjusted weighted average number of common shares outstanding	90,512	106,805	90,479	105,706
Basic earnings per common share	\$ 0.03	\$ 0.28	\$ 0.22	\$ 0.57
Diluted earnings per common share	\$ 0.03	\$ 0.27	\$ 0.21	\$ 0.56

For the three and six months ended March 31, 2000, options to purchase 14.9 million and 14.5 million shares of Class A Common Stock of the Company with exercise prices greater than the average market price of \$15.42 and \$14.29, for the respective periods, were not included in the computation of diluted net income per share because the effect would have been antidilutive. For the three and six months ended March 31, 1999, options to purchase 4.9 million and 6.6 million shares of Class A Common Stock of the Company with exercise prices greater than the average market price of \$22.77 and \$21.63, for the respective periods, were not included in the computation of diluted net income per share because the effect would have been antidilutive.

Note 6 - Comprehensive Income

Comprehensive income includes all changes in equity, except those resulting from investments by owners and distributions to owners. The components of comprehensive income for the three and six months ended March 31, 2000 and 1999 are as follows (in thousands):

	For the three months ended March 31,		For the six months ended March 31,	
	2000	1999	2000	1999
Net income	\$ 2,788	\$ 28,841	\$ 19,250	\$ 58,929
Foreign currency translation adjustments	(1,724)	(2,270)	(4,047)	(1,337)
Unrealized holding gain on marketable security	3,492	--	3,492	--
Comprehensive income	\$ 4,556	\$ 26,571	\$ 18,695	\$ 57,592

Note 7 - Long-Term Debt

On July 16, 1999 (the "closing date"), the Company entered into an unsecured Credit Agreement with The Chase Manhattan Bank, as administrative agent for the participating financial institutions thereunder, providing for a maximum of \$500.0 million of credit facilities, consisting of a \$350.0 million term loan

and a \$150.0 million senior revolving credit facility. The term loan can be advanced in multiple drawings during the first year after the closing date. Amounts repaid under the term loan may not be reborrowed. Loans under the revolving facility will be available for five years, subject to certain customary conditions on the date of any such loan. As of March 31, 2000, the Company has \$300.0 million outstanding under the term loan, and \$60.0 million outstanding under the revolving credit facility. The weighted average interest rate on these borrowings was 7.5% for the six months ended March 31, 2000. Interest paid in cash for the three and six months ended March 31, 2000 was approximately \$6.3 million and \$11.2 million, respectively. The revolving credit facility will mature in July 2004. Loans made under the term loan are payable in eight equal semi-annual installments commencing eighteen months after the closing date. On February 25, 2000, the Company modified certain financial and other covenants to permit the TechRepublic acquisition and the issuance of convertible debt. The Company incurred fees related to the debt modification of \$0.9 million which will be amortized over the remaining life of the debt.

On April 17, 2000, the Company issued \$300.0 million of 6% convertible subordinated notes to Silver Lake Partners, L.P. and certain of its affiliates (see Note 10 - Subsequent Event, Convertible Subordinated Note). In accordance with the modified terms of the Credit Agreement, on April 18, 2000, the Company applied \$200.0 million of the proceeds from the issuance of the convertible subordinated notes to pay down term loan borrowings under the Credit Agreement. As a result of the pay down of the term loan and the Company's intent to utilize borrowings available under the existing revolving credit facility, the \$37.5 million term loan installment due on January 16, 2001 has been classified as long term debt.

Note 8 - Segment Information

The Company manages its business in four reportable segments organized on the basis of differences in its related products and services: research, services, events, and internet. Research consists primarily of subscription-based research products. Services consists primarily of consulting and measurement engagements. Events consists of vendor and user focused symposia, expositions, and conferences. Internet consists of products and services sold through the Company's e-commerce sales delivery channel; TechRepublic.

The Company evaluates reportable segment performance and allocates resources based on gross operating margin. Gross operating margin, as presented below, is the profit or loss from operations before interest income and expense, certain selling, general and administrative costs, income taxes, other charges, and foreign exchange gains and losses. The accounting policies used by the reportable segments are the same as those used by the Company.

The following tables present information about reportable segments (in thousands). The "Other" column includes certain revenues and expenses unallocated to reportable segments, expenses allocated to operations that do not meet the segment reporting quantitative threshold, and other charges. There are no intersegment revenues:

Three months ended March 31, 2000	Research	Services	Events	Internet	Other	Consolidated
Revenues	\$123,324	53,153	11,339	75	5,502	\$ 193,393
Operating income (loss)	\$82,850	21,661	5,342	(1,491)	(97,941)	\$ 10,421
Gain on partial sale of minority investment						\$ 13,068
Interest income						\$ 476
Interest expense						\$ (6,192)
Income before provision for income taxes						\$ 17,773
Three months ended March 31, 1999	Research	Services	Events	Internet	Other	Consolidated
Revenues	\$116,028	35,634	10,719	--	8,947	\$ 171,328
Operating income (loss)	\$80,727	13,690	4,285	--	(59,092)	\$ 39,610
Interest income						\$ 2,609
Interest expense						\$ (9)
Income before provision for income taxes						\$ 42,210
Six months ended March 31, 2000	Research	Services	Events	Internet	Other	Consolidated
Revenues	\$255,603	87,613	60,248	75	12,751	\$ 416,290

Operating income (loss)	\$173,840	30,252	30,489	(1,491)	(191,699)	\$ 41,391
Gain on partial sale of minority investment						\$ 13,068
Interest income						\$ 1,208
Interest expense						\$ (11,915)
Income before provision for income taxes						\$ 43,752

Six months ended March 31, 1999	Research	Services	Events	Internet	Other	Consolidated
Revenues	\$238,434	62,754	46,551	--	13,969	\$361,708
Operating income (loss)	\$169,007	20,309	19,336	--	(123,300)	\$ 85,352
Interest income						\$ 5,111
Interest expense						\$ (35)
Income before provision for income taxes						\$ 90,428

Note 9 - Gain On Partial Sale of Minority Investment

On October 7, 1999, Jupiter Communications, Inc. ("Jupiter"), a minority owned investment, completed its initial public offering at \$21.00 per share of common stock. Upon completion of Jupiter's initial public offering, the Company owned 4,028,503 shares of Jupiter's outstanding common stock. The change in the Company's proportionate share of Jupiter's equity resulted in the Company's write-up of the investment by approximately \$15.4 million and increases in deferred tax liability and additional paid-in capital of approximately \$6.2 million and \$9.2 million, respectively. During the quarter ended March 31, 2000, the Company sold 474,500 shares for net cash proceeds of \$15.9 million at an average price of \$33.54 per share for a pre-tax gain of \$13.1 million.

Note 10 - Subsequent Event, Convertible Subordinated Notes

In connection with the Securities Purchase Agreement entered into on March 21, 2000, the Company issued in a private placement transaction on April 17, 2000, \$300.0 million of 6% convertible subordinated notes to Silver Lake Partners, L.P. ("Silver Lake") and certain of its affiliates. The notes mature in April 2005. The convertible subordinated notes accrue interest at 6% per annum. Interest is paid semiannually by a corresponding increase in the face amount of the notes commencing September 15, 2000. The notes are convertible into shares of the Company's Class A Common Stock, commencing April 17, 2002, at an initial price of \$15.87 per share, subject to certain adjustments. At the Company's option, the conversion rights can be settled in cash based on the market price of the Class A Common Stock at the time of conversion. As part of the agreement, the Company has granted Silver Lake certain preferential rights and antidilutive protection and two Silver Lake nominees have been elected to the Company's ten member Board of Directors. The Company may call the notes for redemption anytime after April 17, 2003. On April 18, 2000, \$200.0 million of the proceeds were used to pay down term loan borrowings.

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

The discussion and analysis below contains trend analysis and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth below under "Quarterly Operating Income Trends," "Other Factors That May Affect Future Performance", "Year 2000 Issues", "Euro Conversion" and elsewhere in this report or in the Company's Annual Report on Form 10-K for the year ended September 30, 1999 (the "Form 10-K").

RESULTS OF OPERATIONS

The following table sets forth certain results of operations as a percentage of total revenues:

	For the three months ended March 31,		For the six months ended March 31,	
	2000	1999	2000	1999
Revenues:				
Research	63.7%	67.7%	61.4%	65.9%
Services	27.5	20.8	21.0	17.3
Events	5.9	6.3	14.5	12.9
Other	2.9	5.2	3.1	3.9
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of services and product development	41.7	35.2	42.8	38.7
Selling, general and administrative	41.4	34.5	38.4	32.3
Other charges	5.9	2.6	4.2	1.2
Depreciation	3.5	3.1	3.0	2.9
Amortization of intangibles	2.1	1.5	1.7	1.3
Total costs and expenses	94.6	76.9	90.1	76.4
Operating income	5.4	23.1	9.9	23.6
Gain on partial sale of minority investment	6.8	0.0	3.2	0.0
Interest income	0.2	1.5	0.3	1.4
Interest expense	(3.2)	0.0	(2.9)	0.0
Income before provision for income taxes	9.2	24.6	10.5	25.0
Provision for income taxes	7.8	7.8	5.9	8.7
Net income	1.4%	16.8%	4.6%	16.3%

TOTAL REVENUES increased 13% to \$193.4 million for the second quarter of fiscal 2000 from \$171.3 million for the second quarter of fiscal 1999. For the six months ended March 31, 2000, total revenues were \$416.3 million, up 15% from \$361.7 million for the same period last fiscal year. Revenues from research products increased 6% in the second quarter of fiscal 2000 to \$123.3 million compared to \$116.0 million in the same period in fiscal 1999 and comprised approximately 64% and 68% of total revenues in the second quarter of fiscal 2000 and 1999, respectively. For the six months ended March 31, 2000, research revenues were \$255.6 million, up 7% from \$238.4 million for the same period last fiscal year. Services revenue, consisting primarily of consulting and measurement engagements, increased 49% to \$53.2 million for the second quarter of fiscal 2000 as compared to \$35.6 million for the second quarter of fiscal 1999, and comprised approximately 28% of total revenue in the second quarter of fiscal 2000 versus 21% in the same period in fiscal 1999. For the six months ended March 31, 2000 services revenue was \$87.6 million, up 40% from \$62.8 million for the same period last fiscal year. Events revenue was \$11.3 million in the second quarter of fiscal 2000, an increase of 6% over \$10.7 million for the same period in fiscal 1999. Events revenue comprised approximately 6% of total revenue in the second quarter of fiscal 2000 and 1999. For the six months ended March 31, 2000, events revenue was \$60.2 million, up 29% from \$46.6 million for the same period last fiscal year. Adjusting for the timing of the Spring Symposium held following the second quarter of fiscal 2000, which has typically been held in the second quarter of the fiscal year, the growth in events revenue would have been 103% and 52% for the three and six months ended March 31, 2000, respectively. Other revenues, consisting principally of software licensing fees, decreased 38% to \$5.6 million in the second quarter of fiscal 2000 from \$8.9 million in the second quarter of fiscal 1999. For the six months ended March 31, 2000, other revenues were \$12.8 million, down 8% from \$14.0 million for the same period last fiscal year. The increase in total revenues reflected the ability of the Company to gain client acceptance of new products

and services, to increase sales penetration into new and existing clients and to develop incremental revenues from current and prior year acquisitions. Ratable contract value, which consists of the annualized value of all subscription-based research products with ratable revenue recognition, was \$540.7 million at March 31, 2000, an increase of 6% from \$508.2 million at March 31, 1999. Services backlog increased 67% to approximately \$79.7 million at March 31, 2000 compared to \$47.8 million at March 31, 1999 and represents future revenues to be recognized from in-process consulting and measurement engagements. Based upon the continued strong demand in upcoming conferences and expositions, and the timing of the Spring Symposium, deferred revenue for events increased 86% to \$43.8 million at March 31, 2000 as compared to \$23.5 million at March 31, 1999.

OPERATING INCOME, net of other charges, decreased 74% to \$10.4 million in the second quarter of fiscal 2000 from \$39.6 million in the second quarter of fiscal 1999. Operating income was \$41.4 million for the six months ended March 31, 2000, a decrease of 52% over the \$85.4 million for the same period in the prior fiscal year. Operating income was impacted, in part, by expenditures related to strategic investments in rearchitecting the research process, the hiring of analysts and consultants, higher growth in lower margin consultative services and Web initiatives.

Costs and expenses, excluding other charges, increased to \$171.5 million in the second quarter of fiscal 2000 from \$127.3 million in the second quarter of fiscal 1999. Year-to-date total costs and expenses, excluding other charges, were \$357.4 million compared to \$271.9 million for the same period in the prior fiscal year. The increase in costs and expenses over the second quarter of fiscal 1999 reflects the additional support required for the growing client base, incremental costs associated with conferences, costs associated with acquired businesses and planned strategic investments which included the hiring of additional consultants, analysts, project executives and sales personnel, and spending on sales productivity tools and interactive initiatives. Cost of services and product development expenses were \$80.7 million and \$60.4 million for the second quarter of fiscal 2000 and 1999, respectively, and \$178.1 million and \$139.7 million for the six months ended March 31, 2000 and 1999, respectively. The increase in costs of services and product development expenses, as a percentage of total revenues, is primarily attributable to competitive pricing in research products, continuing growth in personnel costs associated with the development and delivery of products and services and the hiring of personnel in association with the planned strategic investments. Selling, general and administrative expenses, which were \$80.1 million and \$59.1 million for the second quarter of fiscal 2000 and 1999, respectively, and \$159.7 million and \$117.0 million for the six months ended March 31, 2000 and 1999, respectively, increased as a result of the Company's continuing expansion of worldwide distribution channels and additional general and administrative resources needed to support the growing revenue base and the impact of acquisitions.

Other charges of \$11.5 million and \$17.5 million for the three and six months ended March 31, 2000, respectively, were incurred in relation to a special one-time cash incentive plan designed to enhance retention of key personnel in response to the recapitalization and reorganization of the Company that was initiated in the prior fiscal year. In the second quarter of fiscal 1999, the Company recorded pre-tax charges totaling approximately \$4.4 million related to the Company's reorganization and recapitalization.

Depreciation expense for the second quarter of fiscal 2000 increased to \$6.7 million compared to \$5.3 million for the second quarter of fiscal 1999, primarily due to capital spending required to support business growth. For the six months ended March 31, 2000, depreciation expense increased to \$12.6 million compared to \$10.5 million for the same period in the prior fiscal year. Additionally, amortization expense increased by \$1.5 million in the second quarter of fiscal 2000 as compared to the same period in fiscal 1999, reflecting primarily goodwill associated with fiscal 2000 acquisitions. Amortization expense associated with the acquisition of TechRepublic was \$0.7 million for the second quarter of fiscal 2000.

GAIN ON PARTIAL SALE OF MINORITY INVESTMENT in the second quarter of fiscal 2000 reflects the sale of 474,500 shares of Jupiter Communication, Inc., a minority owned investment, for net cash proceeds of

\$15.9 million (\$33.54 per share) for a pre-tax gain of \$13.1 million. The Company has 3,554,003 shares available for future liquidation.

INTEREST EXPENSE for the three and six months ended March 31, 2000 related primarily to debt facility borrowings, of which the proceeds were used primarily to fund the Company's recapitalization. The decrease in interest income for the three and six months ended March 31, 2000 is attributable to a lower average balance of investable funds as compared to the same periods in the prior fiscal year.

PROVISION FOR INCOME TAXES was \$15.0 million in the second quarter of fiscal 2000, up from \$13.4 million in the same quarter of fiscal 1999. The effective tax rate was 84% in the second quarter of fiscal 2000 which reflects an increase in non-deductible goodwill related to the TechRepublic acquisition as well as an adjustment to increase the anticipated effective tax rate for fiscal 2000 to 56%. The effective tax rate was 38% for the same period in the prior fiscal year, before the one-time tax benefit of \$2.5 million resulting from the settlement of certain Federal income tax examinations.

DILUTED EARNINGS PER COMMON SHARE decreased 89% to 3 cents per common share for the second quarter of fiscal 2000, compared to 27 cents per common share for the second quarter of fiscal 1999. For the six months ended March 31, 2000 and 1999, diluted earnings per common share were 21 cents per common share and 56 cents per common share, respectively, a decrease of 62%. Excluding the impact of other charges, gain on partial sale of minority investment and incremental amortization, operating costs and income taxes associated with the TechRepublic acquisition, diluted earnings per share were 13 cents per common share for the second quarter and 35 cents per common share for the six months ended March 31, 2000. Basic earnings per common share decreased 89% to 3 cents for the second quarter of fiscal 2000 from 28 cents for the second quarter of fiscal 1999. Basic earnings per common share were 22 cents for the six months ended March 31, 2000 compared to 57 cents for the same period last year.

QUARTERLY OPERATING INCOME TRENDS. Historically, the Company has realized significant renewals and growth in contract value at the end of each quarter. The fourth quarter of the fiscal year typically is the fastest growth quarter for contract value and the first quarter of the fiscal year typically represents the slowest growth quarter as it is the quarter in which the largest amount of contract renewals are due. As a result of the quarterly trends in contract value and overall business volume, fees receivable, deferred revenues, deferred commissions and commissions payable reflect this activity and typically show substantial increases at quarter end, particularly at fiscal year end. All 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 which have a 30-day cancellation clause, but which have not produced material cancellations to date. The Company's policy is to record at the time of signing of a research contract the entire amount of the contract billable as deferred revenue and fees receivable. The Company also records the related commission obligation upon the signing of the contract and amortizes the corresponding deferred commission expense over the contract period in which the related revenues are earned and amortized to income.

Historically, research revenues have increased in the first quarter of each fiscal year over the immediately preceding quarter primarily due to increased contract value at the end of the prior fiscal year. Events revenues have increased similarly due to annual conferences and exhibition events held in the first quarter. Additionally, operating income margin (operating income as a percentage of total revenues) typically improves in the first quarter of the fiscal year versus the immediately preceding quarter due to the increase in research revenue upon which the Company is able to further leverage its selling, general and

administrative expenses, plus operating income generated from the first quarter Symposia and ITxpo exhibition events. Historically, operating income margin improvement has not been as high in the remaining quarters of the fiscal year because the Company has typically increased operating expenses for required growth and because the operating income margins from the Symposia and ITxpo exhibition events in the first fiscal quarter are higher than on conferences held later in the fiscal year. In the current fiscal year, however, the timing of costs related to the one-time cash retention incentive and planned strategic investments can be expected to impact the previous trend of the Company's operating income margins for each of the remaining quarters of the fiscal year. As a result, the operating income for the second quarter of fiscal 2000 as well as prior year operating margin trends may not be indicative of the quarterly operating results for the remainder of the fiscal year.

OTHER FACTORS THAT MAY AFFECT FUTURE PERFORMANCE. The Company's future operating results will depend upon the Company's ability to continue to compete successfully in the market for information products and services. The Company faces competition from a significant number of independent providers of similar services, as well as the internal marketing and planning organizations of the Company's clients. The Company also competes indirectly against other information providers, including electronic and print media companies and consulting firms. In addition, there are limited barriers to entry into the Company's market and additional new competitors could readily emerge. There can be no assurance that the Company will be able to continue to provide the products and services that meet client needs as the Information Technology ("IT") market rapidly evolves, or that the Company can otherwise continue to compete successfully. In this regard, the Company's ability to compete is largely dependent upon the quality of its staff of IT analysts and consultants. Competition for such qualified professionals is intense. There can be no assurance that the Company will be able to hire additional qualified IT analysts and consultants as may be required to support the evolving needs of clients or any growth in the Company's business. Any failure to maintain a premier staff of IT professionals could adversely affect the quality of the Company's products and services, and therefore its future business and operating results. There may also be increased business risk as the Company expands product and service offerings to smaller domestic companies. Additionally, the Company believes it will need to make significant investments and rearchitect its Web capabilities including investments to expand and augment TechRepublic's initiatives. The Company recognizes the value and utility of the Web as a delivery channel for products and services and as a source of new revenue opportunities. Failure to increase and improve the Company's Web capabilities could adversely impact future business and operating results.

In connection with its recapitalization, the Company agreed to certain restrictions on business activity in order to reduce the risk to IMS Health and its stockholders of substantial tax liabilities associated with the spin-off by IMS Health of its equity interest in the Company. The Company further agreed to assume the risk of such tax liabilities if the Company were to undertake certain business activities that give rise to the liabilities. As a result, the Company may be limited in its ability to undertake acquisitions involving the issuance of a significant amount of stock unless the Company can obtain a ruling from the IRS that the transaction will not give rise to such tax liabilities.

The Company has incurred a substantial amount of debt in connection with its recapitalization transaction and acquisitions. The associated debt service could impair future operating results. While certain risks inherent in this debt have been mitigated by the recent convertible note financing, the outstanding debt could limit the additional credit available to the Company, which in turn could restrain the Company's ability to pursue business opportunities involving substantial investments of additional capital that may arise in the future. In addition, the credit facility contains certain restrictions and limitations involving the purchase of common stock and the issuance of stock which could have an impact on the management and growth of the Company.

The Company's operating results are subject to the risks inherent in international sales, including changes in market demand as a result of exchange rate fluctuations, tariffs and other barriers, challenges in staffing

and managing foreign sales operations, and higher levels of taxation on foreign income than domestic income. Further expansion would also require additional management attention and financial resources.

YEAR 2000 ISSUES. Year 2000 issues arose from the fact that many technology systems have been designed using only a two-digit representation of the year portion of the date. This had the potential to cause errors or failures in those systems that depend on correct interpretation of the year, but cannot necessarily correctly interpret "00" as the year "2000". There are two other issues that are generally considered part of the Year 2000 problem: a) the fact that the year 2000 is a leap year and b) certain dates over the next few years could be misinterpreted as codes with special meanings (This is a simple description of the most common cause of the Year 2000 problem. There are many complete descriptions available, with examples, such as the Year 2000 Guide for Practitioners.).

The Company's Year 2000 efforts were organized around understanding and addressing the business-critical functions whose failure or significant disruption would have a material adverse impact on the Company's business, financial condition or results of operations or involve a safety risk to employees or clients.

As of April 31, 2000, the Company has not experienced any material negative impact related to Year 2000 issues in any of its major business-critical functions. Based upon the Company's ability to deliver its products and services without interruption and information received from vendors and service providers, the Company has no reason to believe that there will be any material adverse impact on the Company's financial condition or results of operations relating to any Year 2000 issues. However, if the information received from vendors and service providers is not accurate or happens to change, then there could be an unforeseen material adverse impact on the Company's results of operations or financial condition. The Company will continue to monitor its systems and operations until it is reasonably assured that no significant business interruptions will occur as a result of the Year 2000 issues.

EURO CONVERSION. On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their sovereign currencies and a new currency called the "euro" and adopted the euro as their common legal currency on that date. In the year 2002, participating countries will adopt the euro as their single currency. Until that date, use of the euro is optional.

The Company has not found the adoption of the euro to have an impact on the competitive conditions in European markets and does not believe that the translation of financial transactions into euros has had or will have a significant effect on the Company's results of operations, liquidity, or financial condition. Additionally, the Company does not anticipate any material impact from the euro conversion on the Company's financial information systems which currently accommodate multiple currencies. Costs associated with the adoption of the euro are not expected to be significant and will be expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

The Company's continued focus on revenue growth and operating income performance has contributed to its ability to continue to fund ongoing operations. Cash provided by operating activities totaled \$33.8 million for the six months ended March 31, 2000 (a decrease of 16% compared to \$40.1 million for the six months ended March 31, 1999) resulting primarily from the impact of net income, the gain on partial sale of minority investment and including changes in balance sheet accounts, particularly fees receivable, deferred revenues, accounts payable and accrued liabilities, and commissions and accrued bonuses payable. Cash used for investing activities was \$133.7 million for the six months ended March 31, 2000 (compared to \$23.7 million for the six months ended March 31, 1999) due to the effect of cash used for property and equipment additions of \$22.1 million and acquisitions and investments in consolidated and

unconsolidated subsidiaries of \$127.5 million. Cash provided by financing activities totaled \$81.2 million in the six months ended March 31, 2000 (compared to \$11.2 million for the six months ended March 31, 1999). The cash provided by financing activities resulted primarily from the \$110.0 million in borrowings under the Credit Agreement partially offset by \$29.9 million paid for the repurchase of 1,863,500 shares of Class A Common Stock and 874,000 shares of Class B Common Stock under the terms of the recapitalization, as well as the settlement of a forward purchase agreement for \$6.8 million. Cash provided by financing activities include a \$1.5 million credit to additional paid-in capital for tax benefits received from stock transactions with employees and \$4.9 million from the issuance of common stock upon the exercise of employee stock options. The tax benefit of stock transactions with employees is due to a reduction in the corporate income tax liability based on an imputed compensation deduction equal to employees' gain upon the exercise of stock options at an exercise price below fair market value. The forward purchase contracts on the Company's common stock were originally established to facilitate the acquisition of 1,800,000 shares of Class A Common Stock to offset a portion of the shareholder dilution that will be created by the exercise of stock options granted under the Company's 1996 Long Term Stock Option Plan.

The effect of exchange rates was limited and decreased cash and cash equivalents by less than \$0.7 million for the six months ended March 31, 2000, and was due to the weakening of the U.S. dollar versus certain foreign currencies. As of March 31, 2000, the Company had outstanding letters of credit with The Chase Manhattan Bank for \$1.5 million and with The Bank of New York for \$2.0 million. Additionally, the Company issues letters of credit in the ordinary course of business. The Company believes that its current cash balances together with cash anticipated to be provided by operating activities and borrowings available under the existing Credit Agreement and lines of credit, will be sufficient for the expected short-term and foreseeable long-term cash needs of the Company in the ordinary course of business, including capital commitments related to TechRepublic and its obligation to make open market purchases of its common stock required as part of the recapitalization. If the Company were to require substantial amounts of additional capital in the future to pursue business opportunities that may arise involving substantial investments of additional capital, there can be no assurances that such capital will be available to the Company or will be available on commercially reasonable terms. The Company's obligation to make open market purchases as part of the recapitalization will require a significant amount of cash to fund the repurchase of its common stock. As of March 31, 2000, the Company has a remaining commitment to purchase an additional 1,292,363 shares of Class A Common Stock and 1,136,828 shares of Class B Common Stock in the open market by July 2001. The Company intends to fund this remaining commitment through borrowings under the Credit Agreement, the recently issued convertible subordinated notes, existing cash balances and cash anticipated to be provided from operations. The Company is subject to certain customary affirmative, negative and financial covenants under the Credit Agreement, and continued compliance with these covenants could preclude the Company from borrowing the maximum amount of the credit facilities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company's exposure to market risk for changes in interest rates relates primarily to borrowings under the Company's unsecured Credit Agreement with The Chase Manhattan Bank. These borrowings bear interest at variable rates and the fair value of this indebtedness is not significantly affected by changes in market interest rates. An increase or decrease of 10% in the current effective interest rates under the Credit Agreement would not have a material effect on the Company's results of operations.

In addition, the Company is exposed to market risk from a series of forward purchase agreements on its Class A Common Stock. As of March 31, 2000, a forward purchase agreement in place covered approximately \$10.4 million or 729,745 shares of Class A Common Stock having forward purchase prices established at \$14.24 per share. If the market priced portion of this agreement was settled based on the March 31, 2000 market price of Class A Common Stock (\$15.75 per share) and the contractual floating

rate component, the Company would be entitled to receive 69,990 shares of Class A Common Stock.

Amounts invested in the Company's foreign operations are translated into U.S. dollars at the exchange rates in effect at March 31, 2000. The resulting translation adjustments are recorded as Accumulated other comprehensive income, a component of Stockholders' equity, in the Consolidated Balance Sheets.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Number	Description of Document
3.1b	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock and Series B Junior Participating Preferred Stock of the Company, effective March 1, 2000 (1)
4.3	Rights Agreement, dated as of February 10, 2000, between the Company and Bank Boston, N.A., as Rights Agent, with related exhibits (1)
4.4a	Credit Agreement dated July 16, 1999 by and among the Company and certain financial institutions, including Chase Manhattan Bank in its capacity as a lender and as agent for the lenders (2)
4.4b	Amendment No. 1, dated as of February 25, 2000 in respect of the Credit Agreement dated as of July 16, 1999
10.19	Employment Agreement between Michael D. Fleisher and Gartner Group, Inc. dated as of November 1, 1999
27.1	Financial Data Schedule

- (1) Incorporated by reference from the Registrant's Form 8-K dated February 9, 2000 as filed on March 7, 2000.
- (2) Incorporated by reference from the Registrant's Tender Offer Statement on Schedule 13E-4 as filed on July 27, 1999.
- (b) Reports on Form 8-K
 On January 6, 2000, the Company filed a Current Report on Form 8-K dated January 3, 2000 reporting in Item 5 thereof the receipt by IMS Health Incorporated of a ruling from the Internal Revenue Service that impacted the rights, preferences and privileges of the outstanding shares of the Company's common stock. On March 7, 2000, the Company filed a Current Report on Form 8-K dated February 9, 2000 reporting in Item 5 thereof the Company's adoption of a stockholder rights plan.

Items 1, 2, 3, 4 and 5 are not applicable and have been omitted.

SIGNATURE

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

Gartner Group, Inc.

Date May 12, 2000

/s/ Regina M. Paolillo

Regina M. Paolillo
Executive Vice President
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

AMENDMENT NO. 1, dated as of February 25, 2000 (this "Amendment"), in respect of the Credit Agreement dated as of July 16, 1999 (the "Credit Agreement" and, as amended by this Amendment, the "Amended Credit Agreement"), among Gartner Group, Inc. (the "Borrower"), the Lenders party thereto, and The Chase Manhattan Bank, as Administrative Agent (in such capacity, the "Administrative Agent").

The Borrower has requested that the Credit Agreement be amended as set forth below, and the parties hereto are willing so to amend the Credit Agreement. Each capitalized term used but not defined herein has the meaning assigned thereto in the Credit Agreement.

In consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto hereby agree, on the terms and subject to the conditions set forth herein, as follows:

SECTION 1. Amendments. Upon the effectiveness of this Amendment as provided in Section 3 below, the Credit Agreement shall be amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended by inserting the following defined terms in their alphabetical positions:

"Permitted Capital Obligations" means Permitted Preferred Stock or Permitted Subordinated Debt.

"Permitted Capital Obligations Effective Date" means the first date on which the Borrower has issued Permitted Capital Obligations for gross cash proceeds to the Borrower of at least \$175,000,000.

"Permitted Preferred Stock" means preferred stock issued by the Borrower that (a) does not require any repurchase or redemption (other than conversion or exchange into Common Stock), whether contingent or not, prior to the date that is eight months after the Term Maturity Date and (b) is on terms and conditions that are reasonably acceptable to the Administrative Agent, and otherwise is on terms customary in the relevant

capital markets for preferred stock issued by issuers similar to the Borrower.

"Permitted Subordinated Debt" means subordinated, unsecured Indebtedness of the Borrower that (a) requires no scheduled cash payments of principal and no mandatory repurchase or redemption obligations prior to the date that is eight months after the Term Maturity Date, (b) does not impose any financial or other "maintenance" covenants on the Borrower or any of the Subsidiaries, (c) is not guaranteed by any Subsidiaries and (d) contains customary subordination terms that are reasonably acceptable to the Administrative Agent, and otherwise is on terms and conditions customary in the relevant capital markets for subordinated indebtedness issued by issuers similar to the Borrower.

"Specified Asset Sales" means the sales by the Borrower of all or any substantial part of its equity interests in Jupiter Communications, Inc. or NetG, Inc.

"Total Senior Balance Sheet Indebtedness" means, at any date, Total Balance Sheet Indebtedness on such date minus the amount of outstanding Permitted Subordinated Debt that would be reflected on a consolidated balance sheet of the Borrower prepared in accordance with GAAP as of such date.

"Wildcats Acquisition" means the acquisition by the Borrower of at least 75% of the capital stock of the entity known as "Wildcats" (the identity of which has been notified to the Administrative Agent and the Lenders), which acquisition is made for consideration that is funded entirely from a Term Borrowing made after February 15, 2000.

(b) The definition of "Applicable Rate" in Section 1.01 of the Credit Agreement is hereby amended by (i) replacing "Category 2" with "Category 5" prior to the table therein and (ii) deleting the table therein and replacing it with the following:

Leverage Ratio:	ABR --- Spread	Eurodollar ----- Spread	Commitment Fee ----- Rate
Category 1 ----- GREATER THAN OR EQUAL TO 3.25x	1.25%	2.50%	0.50%
Category 2 ----- GREATER THAN OR EQUAL TO 3.00x but LESS THAN 3.25x	1.00%	2.25%	0.50%
Category 3 -----	0.75%	2.00%	0.50%

Leverage Ratio:	ABR --- Spread -----	Eurodollar ----- Spread -----	Commitment Fee ----- Rate -----

GREATER THAN EQUAL TO 2.75x but LESS THAN 3.00x			

Category 4 -----			
GREATER THAN OR EQUAL TO 2.25x but LESS THAN 2.75x	0.50%	1.75%	0.35%

Category 5 -----			
GREATER THAN OR EQUAL TO 1.75x but LESS THAN 2.25x	0.25%	1.50%	0.30%

Category 6 -----			
GREATER THAN OR EQUAL TO 1.25x but LESS THAN 1.75x	0%	1.25%	0.30%

Category 7 -----			
GREATER THAN OR EQUAL TO 1.00x but LESS THAN 1.25x	0%	1.00%	0.30%

Category 8 -----			
LESS THAN 1.00x	0%	0.75%	0.25%

(c) The definition of "Consolidated Cash Interest Expense" in Section 1.01 of the Credit Agreement is hereby amended by replacing "plus (iii)" in clause (a) therein with ", (iii) cash payments made during such period to holders of Permitted Preferred Stock, plus (iv)".

(d) The definition of "Permitted Acquisitions" in Section 1.01 of the Credit Agreement is hereby amended by (i) inserting "(i)" after the word "means" therein, (ii) inserting after "2.25 to 1.00" the words "(or 2.75 to 1.00, in the case of acquisitions made after the Permitted Capital Obligations Effective Date)" and (iii) adding immediately before the period at the end thereof the words "and (ii) the Wildcats Acquisition".

(e) The definition of "Prepayment Event" in Section 1.01 of the Credit Agreement is hereby amended by (i) inserting "(i)" after the word "means" therein and (ii) adding immediately before the period at the end thereof the words "or (ii) the completion of any of the Specified Asset Sales".

(f) Section 2.09(c) of the Credit Agreement is hereby amended by (i) inserting after "2.25 to 1.00" the words "(or 2.75 to 1.00, in the case of Prepayment

Events occurring after the Permitted Capital Obligations Effective Date)" and (ii) adding the following proviso before the period at the end thereof: "; provided, that 100% of the Net Proceeds received in respect of the Specified Asset Sales and the issuance of Permitted Capital Obligations shall be used to prepay Term Loans to the extent and only to the extent that the aggregate amount of Term Loans prepaid pursuant to this proviso does not exceed \$200,000,000".

(g) Section 5.01(c) of the Credit Agreement is hereby amended by replacing "6.14 and 6.15" therein with "6.14, 6.15 and 6.17".

(h) Section 6.03 of the Credit Agreement is hereby amended by replacing "6.14 and 6.15" therein with "6.14, 6.15 and 6.17".

(i) Section 6.05 of the Credit Agreement is hereby amended by (i) deleting "and" at the end of clause (c) thereof, (ii) replacing the period at the end of clause (d) thereof with "; and" and (iii) adding the following new clause (e) at the end thereof:

(e) Specified Asset Sales.

(j) Section 6.08 of the Credit Agreement is hereby amended by (i) inserting the words "the Borrower may make" at the beginning of clauses (viii) and (ix) therein, (ii) deleting the "and" at the end of clause (viii) therein and (iii) inserting before the period at the end thereof "; and (x) the Borrower may pay cash dividends to holders of Permitted Preferred Stock, provided, that, after giving effect to any such dividend on a pro forma basis as if such dividend had been made on the last day of the fiscal quarter most recently ended on or prior to the date of such dividend, the Borrower would be in compliance with Sections 6.12, 6.13 and 6.17".

(k) Section 6.12 of the Credit Agreement is hereby amended by replacing "5.00 to 1.00" with "(i) 3.50 to 1.00, for the periods of four consecutive fiscal quarters ending March 31, 2000, June 30, 2000 and September 30, 2000, respectively, and (ii) 4.50 to 1.00, for all other periods".

(l) Section 6.13 of the Credit Agreement is hereby amended by replacing "2.75 to 1.00" with "(a) prior to the Permitted Capital Obligations Effective Date,

(i) 3.50 to 1.00 for the fiscal quarter ending March 31, 2000, (ii) 3.25 to 1.00 for the fiscal quarter ending June 30, 2000 and (iii) 2.75 to 1.00 for all other fiscal quarters and (b) on or after the Permitted Capital Obligations Effective Date, 3.50 to 1.00, for all fiscal quarters".

(m) The following new Sections 6.17 and 6.18 are hereby added to the Credit Agreement following Section 6.16 thereof:

SECTION 6.17. Total Senior Balance Sheet Indebtedness to EBITDA. On or after the Permitted Capital Obligations Effective Date, the Borrower will not permit the ratio of (a) Total Senior Balance Sheet Indebtedness as of the last day of any fiscal quarter to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters ending with such fiscal quarter, to exceed 2.00 to 1.00.

SECTION 6.18. Other Indebtedness and Agreements. The Borrower will not, nor will it permit any Subsidiary to, make any distribution, whether in cash, property, securities or a combination thereof, other than regular scheduled payments as and when due, in respect of, or pay, or offer or commit to pay, or directly or indirectly redeem, repurchase, retire or otherwise acquire for consideration, or set apart any sum for the aforesaid purposes, any Permitted Subordinated Debt, in each case except for any conversion of Permitted Subordinated Debt into Common Stock or Permitted Preferred Stock.

SECTION 2. Representations and Warranties. The Borrower represents and warrants as of the date hereof to each of the Lenders that:

(a) Before and after giving effect to this Amendment, the representations and warranties set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date.

(b) Immediately before and after giving effect to this Amendment, no Event of Default or Default has occurred and is continuing.

SECTION 3. Conditions to Effectiveness. The amendments set forth in Section 1 of this Amendment shall become effective, as of the date hereof, on the date (the "Amendment Closing Date") on which the Administrative Agent shall have received (a) counterparts of this Amendment that, when taken together, bear the signatures of the Borrower, the Administrative Agent, the Subsidiary Loan Parties and the Required Lenders, (b) an amendment fee, for distribution to each Lender that has returned a signed counterpart of this Amendment to the Administrative Agent or its counsel by 12:00 p.m. New York City time on February 25, 2000, equal to a percentage notified to the Lenders by the Borrower of the aggregate Commitments of each such signing Lender, (c) payment of all fees and expenses (to the extent invoiced prior to the Amendment Closing Date) payable to The Chase Manhattan Bank and Chase Securities Inc. in connection with this Amendment and (d) a legal opinion of in-house counsel to the Borrower and such certificates relating to the authorization and execution of this Amendment as the Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to the Administrative Agent. The provisions of Section 1 shall terminate and cease to be of any force or effect if the Amendment Closing Date shall not have occurred on or prior to February 29, 2000 (or such later date, prior to March 4, 2000, as the Administrative Agent and the Borrower may agree).

SECTION 4. Agreement. Except as specifically stated herein, the provisions of the Credit Agreement are and shall remain in full force and effect. As used therein, the terms "Credit Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereof" and words of similar import shall, unless the context otherwise requires, refer to the Amended Credit Agreement.

SECTION 5. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. Counterparts. This Amendment may be executed in two or more counterparts, each of which

shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 7. Expenses. The Borrower agrees to reimburse the Administrative Agent for all reasonable out-of-pocket expenses incurred by it in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

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

GARTNER GROUP, INC.,

by _____
Name:
Title:

COMPUTER AND COMMUNICATION
INFORMATION GROUP, INC.,

by _____
Name:
Title:

CPULSE LLC,

by _____
Name:
Title:

DATAQUEST INCORPORATED,

by _____
Name:
Title:

DATAQUEST (KOREA) INC.,

by _____
Name:
Title:

DECISION DRIVERS, INC,

by -----
Name:
Title:

GARTNER FUND I, INC.,

by -----
Name:
Title:

GARTNER FUND II, INC.,

by -----
Name:
Title:

GARTNER ENTERPRISES LTD.,

by -----
Name:
Title:

GARTNER GROUP LEARNING, INC.,

by -----
Name:
Title:

G.G. GLOBAL HOLDINGS, INC.,

by -----
Name:
Title:

G.G. INVESTMENT MANAGEMENT, INC.,

by -----
Name:
Title:

G.G. CREDIT INC.,

by -----
Name:
Title:

G.G. WEST CORPORATION,

by -----
Name:
Title:

GRIGGS-ANDERSON, INC.,

by -----
Name:
Title:

THE RESEARCH BOARD, INC.,

by -----
Name:
Title:

THE WARNER GROUP,

by -----
Name:
Title:

VISION EVENTS INTERNATIONAL, INC.,

by

Name:
Title:

VUE ACQUISITION CORPORATION,

by

Name:
Title:

G.G. CANADA, INC.,

by

Name:
Title:

INTECO CORPORATION,

by

Name:
Title:

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent,

by

Name:
Title:

CREDIT SUISSE FIRST BOSTON,
individually and as
Syndication Agent,

by -----
Name:
Title:

by -----
Name:
Title:

FLEET NATIONAL BANK,
individually and as
Documentation Agent,

by -----
Name:
Title:

BANCO ESPIRITO SANTO E
COMERCIAL DE LISBOA, NASSAU
BRANCH,

by -----
Name:
Title:

by -----
Name:
Title:

BANK LEUMI USA,

by -----
Name:
Title:

by -----
Name:
Title:

THE BANK OF NEW YORK,

by

Name:
Title:

THE BANK OF NOVA SCOTIA,

by

Name:
Title:

BANK OF AMERICA, N.A.,

by

Name:
Title:

BANKBOSTON, N.A.,

by

Name:
Title:

COMERICA BANK,

by

Name:
Title:

DAI ICHI KANGYO BANK, LTD.,

by

Name:
Title:

DEUTSCHE BANK A.G., NEW YORK
AND/OR CAYMAN ISLANDS
BRANCHES,

by -----
Name:
Title:

by -----
Name:
Title:

THE FIRST CHICAGO NATIONAL BANK,

by -----
Name:
Title:

FIRST UNION NATIONAL BANK,

by -----
Name:
Title:

THE FUJI BANK, LIMITED,

by -----
Name:
Title:

IBM CREDIT CORPORATION,

by -----
Name:
Title:

MERCANTILE BANK, NATIONAL
ASSOCIATION,

by -----
Name:
Title:

NATIONAL CITY BANK,

by -----
Name:
Title:

PEOPLE'S BANK,

by -----
Name:
Title:

CITIZENS BANK OF
MASSACHUSETTS,

by -----
Name:
Title:

THE SUMITOMO BANK, LIMITED,

by -----
Name:
Title:

SUNTRUST BANK,

by -----
Name:
Title:

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of November 1, 1999, effective as of October 7, 1999, by and between Michael D. Fleisher, an individual ("Executive") and Gartner Group, Inc., a Delaware corporation (the "Company").

RECITALS

A. Executive is currently Executive Vice President and Chief Financial Officer of the Company. The parties desire that Executive be named President and Chief Executive Officer of the Company effective as of October 7, 1999, and in connection therewith desire that the terms of Executive's employment be set forth herein.

B. The Company and Executive have previously entered into an Employment Agreement dated as of November 12, 1998 (the "Prior Agreement"). The Company and Executive desire to amend the Prior Agreement as provided herein.

C. The Company and Executive desire to provide for Executive's continued employment with the Company upon and subject to the terms and conditions set forth herein.

AGREEMENT

THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Employment. Executive will serve as President and Chief Executive Officer of the Company for the Employment Term specified in Section 3 below. Executive will report solely to the Board of Directors and will render such services consistent with the foregoing role as the Board of Directors may from time to time direct. Executive's office shall be located at the executive offices of the Company in Stamford, Connecticut. Executive may (i) serve on corporate, civic or charitable boards or committees and (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions, to the extent consistent with the Company's policies (as applicable) or are disclosed to the board of directors and the board determines in good faith that such activities do not interfere with the performance of Executive's responsibilities hereunder.

2. Board of Directors. Executive shall be immediately appointed to the Board of Directors of the Company (the "Board"). During the Employment Term, the Company shall include Executive on the Company's slate of nominees to be elected to the Board at each annual meeting of stockholders of the Company. Upon termination of the Employment Term for any reason, Executive shall promptly resign as a director of the Company.

3. Term. The employment of Executive pursuant to this Agreement shall continue through October 1, 2002 (the "Employment Term"), unless extended or earlier terminated as provided in this Agreement. The Employment Term shall automatically be extended for additional one-year periods commencing on October 2, 2002 and continuing each year thereafter, unless either Executive or the Company gives the other written notice, in accordance with Section 13(a) and at least 90 days prior to the then scheduled expiration of the Employment Term, of such party's intention not to extend the Employment Term.

4. Salary. As compensation for the services rendered by Executive under this Agreement, the Company shall pay to Executive a base salary initially equal to \$37,500 per month ("Base Salary") for fiscal year 2000, payable to Executive on a monthly basis in accordance with the Company's payroll practices as in effect from time to time during the Employment Term. The Base Salary shall be subject to adjustment by the Board of Directors of the Company or the Compensation Committee of the Board of Directors, in the sole discretion of the Board or such Committee, on an annual basis; provided, however, that Executive's salary may not be decreased other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company.

5. Bonus. In addition to his Base Salary, Executive shall be entitled to participate in the Company's executive bonus program. The annual target bonus shall be established by the Board or its Compensation Committee, in the discretion of the Board or such Committee, and shall be payable based on achievement of specified Company and individual objectives. Executive's target bonus for the fiscal year ending September 30, 2000 has previously been set at \$450,000, with a maximum bonus of \$900,000. Such bonus amounts shall be subject to annual adjustment by the Board or the Compensation Committee of the Board, in the sole discretion of the Board or such Committee, on an annual basis; provided, however, that Executive's target bonus may not be decreased without Executive's consent other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company. For the fiscal year ending September 30, 2000, Executive's bonus may not be less than \$225,000.

6. Executive Benefits.

(a) Stock Options. In addition to the options and restricted stock awards previously held by Executive, on September 30, 1999 Executive was granted by the Compensation Committee options to purchase an aggregate of 500,000 shares of Class A Common Stock of the Company ("Stock") (the "Fiscal 1999 Option Grant") under the Company's 1991 Stock Option Plan (the "1991 Plan") and 1998 Long Term Stock Option Plan (the "1998 Plan"). In addition, Executive shall be granted, at the next meeting of the Board or the Compensation Committee following the date hereof, options to purchase an additional 500,000 shares of Stock under the Plan, at an exercise price equal to fair market value of the Stock on the date of grant, determined as provided under the Plan (the "Fiscal 2000 Option Grant"). Each of the Fiscal 1999 Option Grant and the Fiscal 2000 Option Grant shall vest 25% one year after grant and 1/48th per month thereafter, subject to continuous status as an employee or consultant (such that all the options subject to each grant shall have vested 4 years from the date of grant assuming continuous service) ; provided that vesting of all or a portion of such options shall accelerate upon certain events as described below.

(i) Shares issuable under the Company's 1991 Plan and 1998 Plan (including the shares issuable on exercise of Executive's Fiscal 1999 Option Grant and Fiscal 2000 Option grant) have been registered on Form S-8 under the Securities Act of 1933, as amended.

(ii) In the event that during the Employment Term the Company should create a material spin-off entity in which the Company intends to offer an equity stake to third party investors or the public and in which executives or employees of the Company or such entity are to receive capital stock or options to purchase capital stock, then Executive shall be granted capital stock in such entity, or an option to purchase such capital stock, in such amounts as the Board of Directors of the Company or its Compensation Committee shall deem appropriate in connection with the formation or spin-off.

(b) Other Employee and Executive Benefits. Executive will be entitled to receive all benefits provided to senior executives, executives and employees of the Company generally from time to time, including medical, dental, life insurance and long-term disability, and the executive split-dollar life insurance and executive disability plan, in each case so long as and to the extent the same exist; provided, that in respect to each such plan Executive is otherwise eligible and insurable in accordance with the terms of such plans. Executive will also be entitled to automobile benefits pursuant to a policy to be implemented by the Company with the concurrence of the Chairman of the Compensation Committee of the Board of Directors.

(c) Vacation, Sick Leave, Holidays and Sabbatical. Executive shall be entitled to vacation, sick leave, holidays and sabbatical in accordance with the policies of the Company as they exist from time to time. Executive understands that under the current policy he is entitled to up to four (4) weeks vacation per calendar year. Vacation which is not used during any calendar year will roll over to the following year only to the extent provided under the Company's vacation policies as they exist from time to time.

7. Severance Benefits.

(a) At Will Employment. Executive's employment shall be "at will." Either the Company or Executive may terminate this agreement and Executive's employment at any time, with or without Business Reasons (as defined in Section 8(a) below), in its or his sole discretion, upon sixty (60) days' prior written notice of termination.

(b) Involuntary Termination. If at any time during the term of this Agreement other than following a Change in Control to which Section 7(c) applies the Company terminates the employment of Executive involuntarily and without Business Reasons or a Constructive Termination occurs, then Executive shall be entitled to receive the following: (i) salary and vacation accrued through the Termination Date plus continued salary for a period of three (3) years following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (ii) at the Termination Date 100% of Executive's target bonus for the fiscal year in which the Termination Date occurs plus any unpaid bonus from the prior fiscal year, (iii) following the end of the fiscal year in which the Termination Date occurs and management bonuses have been determined, a pro rata share (based on the proportion of the fiscal year during which Executive remained an employee of the Company) of the bonus that would have been payable to Executive

under the bonus plan in excess of 100% of Executive's target bonus for the fiscal year, (iv) following the end of the first fiscal year following the fiscal year in which the Termination Date occurs, 100% of Executive's target bonus for such following fiscal year (or, if the target bonus for such year was not previously set, then 100% of Executive's target bonus for the fiscal year in which the Termination Date occurred), (v) acceleration in full of vesting of all outstanding stock options, TARPs and other equity arrangements subject to vesting and held by Executive (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for (A) in the case of the Fiscal 1999 Option Grant, the Fiscal 2000 Option Grant, any future option grants, and all prior option grants having an exercise price per share equal to or less than the fair market value of the Company's Common Stock on the date hereof, one year following the Termination Date and (B) in the case of all other option grants, 90 days following the Termination Date, or in the case of any option such longer period as may be provided in the applicable plan or agreement), (vi) (A) for three (3) years following the Termination Date, continuation of group health benefits at the Company's cost pursuant to the Company's standard programs as in effect from time to time (or at the Company's election substantially similar health benefits as in effect at the Termination Date, through a third party carrier) for Executive, his spouse and any children, and (B) thereafter, to the extent COBRA shall be applicable to the Company, continuation of health benefits for such persons at Executive's cost, for a period of 18 months or such longer period as may be applicable under the Company's policies then in effect, provided the Executive makes the appropriate election and payments, (vii) continuation of Executive's auto benefits for one year following the Termination Date, and (viii) no other compensation, severance or other benefits, except only that this provision shall not limit any benefits otherwise available to Executive under Section 7(c) in the case of a termination following a Change in Control. Notwithstanding the foregoing, however, the Company shall not be required to continue to pay the bonus specified in clauses (iii) or (iv) hereof for any period following the Termination Date if Executive violates the noncompetition agreement set forth in Section 12 during the three (3) year period following the Termination Date.

(c) Change in Control.

(i) Benefits. If during the term of this Agreement a "Change in Control" occurs (as defined below), then Executive shall be entitled to receive the following: (i) salary and vacation accrued through the date of the Change in Control plus an amount equal to three (3) years of Executive's salary as then in effect, payable immediately upon the Change in Control, (ii) an amount equal to three times Executive's target bonus for the fiscal year in which the Change in Control occurs (as well as any unpaid bonus from the prior fiscal year), all payable immediately upon the Change in Control, (iii) acceleration in full of vesting of all outstanding stock options, TARPs and other equity arrangements subject to vesting and held by Executive (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for (A) in the case of the Fiscal 1999 Option Grant, the Fiscal 2000 Option Grant, any future option grants, and all prior option grants having an exercise price per share equal to or less than the fair market value of the Company's Common Stock on the date hereof, one year following the date of the Change in Control and (B) in the case of all other option grants, 90 days following the date of the Change in Control, or in the case of any option such longer period as may be provided in the applicable plan or agreement) (iv) (A) for at least three (3) years following the date of the Change in Control (even if Executive ceases employment), continuation of group health benefits at the Company's cost pursuant to the Company's standard programs as in effect from time to time (or at the Company's election

substantially similar health benefits as in effect at the Termination Date (if applicable), through a third party carrier) for Executive, his spouse and any children, and (B) thereafter, to the extent COBRA shall be applicable, continuation of health benefits for such persons at Executive's cost, for a period of 18 months or such longer period as may be applicable under the Company's policies then in effect, provided the Executive makes the appropriate election and payments, and (v) no other compensation, severance or other benefits.

(ii) Additional Payments by the Company.

A. If it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

B. Subject to the provisions of clause F below, all determinations required to be made under this Section 7(c)(ii), including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by the Company's independent certified public accountants prior to the Change in Control (the "Accounting Firm"). The Company will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 15 calendar days after the date of the Change in Control or the date of Executive's termination of employment, if applicable, and any other such time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company will pay the required Gross-Up Payment to Executive within five business days after receipt of such determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to clause F below and Executive thereafter is required to make a payment of any Excise Tax, the Company or Executive may direct

the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by the Company to, or for the benefit of, Executive within twenty days after receipt of such determination and calculations.

C. The Company and Executive will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by clause B above.

D. The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. Executive will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within twenty days thereafter pay to the Company the amount of such reduction.

E. The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by clauses B and D above will be borne by the Company. If such fees and expenses are initially advanced by Executive, the Company will reimburse Executive the full amount of such fees and expenses within twenty days after receipt from Executive of a statement therefor and reasonable evidence of his payment thereof.

F. Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than 10 business days after Executive actually receives notice of such claim and Executive will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company will reasonably request in writing from time to

time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this clause F, the Company will control all proceedings taken in connection with the contest of any claim contemplated by this clause F and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that if the Company directs Executive to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

G. If, after the receipt by Executive of an amount advanced by the Company pursuant to clause F above, Executive receives any refund with respect to such claim, Executive will (subject to the Company's complying with the requirements of clause F above) within twenty days thereafter pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to clause F above, a determination is made that Executive will not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid pursuant to this Section 7(c) (ii).

(d) Termination for Disability. If at any time during the term of this Agreement other than following a Change in Control to which Section 7(c) applies Executive shall become unable to perform his duties as an employee as a result of incapacity, which gives rise to termination of employment for Disability, then Executive shall be entitled to receive the following: (i) salary and vacation accrued through the Termination Date plus continued salary for a period of three (3) years following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (ii) at the Termination Date, 100% of Executive's target bonus for the fiscal year in which the Termination Date occurs (plus any unpaid bonus from the prior fiscal year), (iii) following the end of the fiscal year in which the Termination Date occurs and management bonuses have been determined, any bonus that would have been payable to Executive under the bonus plan in excess of Executive's target bonus, (iv) acceleration in full of vesting of all outstanding stock options held by Executive (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for (A) in the case of the Fiscal 1999 Option Grant, the Fiscal 2000 Option Grant, any future option grants, and all prior option grants having an exercise price per share equal to or less than the fair market value of the Company's Common Stock on the date hereof, one year following the Termination Date and (B) in the case of all other option grants, 90 days following the Termination Date, or in the case of any option such longer period as may be provided in the applicable plan or agreement), (v) (A) for three (3) years following the Termination Date, continuation of group health benefits at the Company's cost pursuant to the Company's standard programs as in effect from time to time (or at the Company's election substantially similar health benefits as in effect at the Termination Date, through a third party carrier) for Executive, his spouse and any children, and (B) thereafter, to the extent COBRA shall be applicable to the Company, continuation of health benefits for such persons at Executive's cost, for a period of 18 months or such longer period as may be applicable under the Company's policies then in effect, provided the Executive makes the appropriate election and payments, and (vi) no other compensation, severance or other benefits, except only that this provision shall not limit any benefits otherwise available to Executive under Section 7(c) in the case of a termination following a Change in Control. Notwithstanding the foregoing, however, the Company may deduct from the salary specified in clause (i) hereof the amount of any payments then received by Executive under any disability benefit program maintained by the Company.

(e) Voluntary Termination, Involuntary Termination for Business Reasons or Termination following a Change in Control. If (A) Executive voluntarily terminates his employment (other than in the case of a Constructive Termination), (B) Executive is terminated involuntarily for Business Reasons, or (C) Executive is terminated involuntarily, is terminated in a Constructive Termination or is terminated upon the Disability of Executive, in any such case following a Change in Control to which Section 7(c) applies, then in any such event Executive or his representatives shall be entitled to receive the following: (i) salary and accrued vacation through the Termination Date only, (ii) the right to exercise all stock options held by Executive for thirty (30) days following the Termination Date (or such longer period as may be provided in the applicable stock option plan or agreement), but only to the extent vested as of the Termination Date, (iii) to the extent COBRA shall be applicable to the Company, continuation of group health plan benefits pursuant to the Company's standard programs as in effect from time to time (or at the Company's election continuation by the Company of substantially similar group health benefits as in effect at the Termination Date, through a third party carrier), for Executive, his spouse and any children, for a period of 18 months (or such longer period as may be applicable under the Company's policies then

in effect) following the Termination Date provided Executive makes the appropriate election and payments, and (iv) no further severance, benefits or other compensation, except only that this provision shall not limit any benefits otherwise available to Executive under Section 7(c) in the case of a termination following a Change in Control.

(f) Termination Upon Death. If Executive's employment is terminated because of death, then Executive's representatives shall be entitled to receive the following: (i) salary and vacation accrued through the Termination Date, (ii) a pro rata share of Executive's target bonus for the year in which death occurs, based on the proportion of the fiscal year during which Executive remained an Employee of the Company (plus any unpaid bonus from the prior fiscal year), (iii) except in the case of any such termination following a Change in Control to which Section 7(c) applies, acceleration in full of vesting of all outstanding stock options, TARPs and other equity arrangements subject to vesting and held by Executive (and in this regard, all such options and other exercisable rights held by Executive shall remain exercisable for (A) in the case of the Fiscal 1999 Option Grant, the Fiscal 2000 Option Grant, any future option grants, and all prior option grants having an exercise price per share equal to or less than the fair market value of the Company's Common Stock on the date hereof, one year following the Termination Date and (B) in the case of all other option grants, 90 days following the Termination Date, or in the case of any option such longer period as may be provided in the applicable plan or agreement), (iv) to the extent COBRA shall be applicable to the Company, continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or at the Company's election continuation by the Company of substantially similar group health benefits as in effect at the Termination Date, through a third party carrier), for Executive's spouse and any children for a period of 18 months (or such longer period as may be applicable under the Company's policies then in effect) provided Executive's estate makes the appropriate election and payments, (v) any benefits payable to Executive or his representatives upon death under insurance or other programs maintained by the Company for the benefit of the Executive, and (vi) no further benefits or other compensation, except only that this provision shall not limit any benefits otherwise available to Executive under Section 7(c) in the case of a termination following a Change in Control..

(g) Exclusivity. The provisions of this Section 7 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, either at law, tort or contract, in equity, or under this Agreement, in the event of any termination of Executive's employment. Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in paragraph (b), (c), (d), (e) or (f) of this Section 7, whichever shall be applicable and those benefits required to be provided by law.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Business Reasons. "Business Reasons" means (i) gross negligence, willful misconduct or other willful malfeasance by Executive in the performance of his duties, (ii) Executive's conviction of a felony, or an other criminal offense involving moral turpitude, (iii) Executive's material breach of this Agreement, including without limitation any repeated breach of Sections 9 through 12 hereof, provided that, in the case of any such breach, the Board provides

written notice of breach to the Executive, specifically identifying the manner in which the Board believes that Executive has materially breached this Agreement, and Executive shall have the opportunity to cure such breach to the reasonable satisfaction of the Board within thirty (30) days following the delivery of such notice. For purpose of this paragraph, no act or failure to act by Executive shall be considered "willful" unless done or omitted to be done by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The Board must notify Executive of any event constituting Business Reasons within ninety (90) days following the Board's actual knowledge of its existence (which period shall be extended during the period of any reasonable investigation conducted in good faith by or on behalf of the Board) or such event shall not constitute Business Reasons under this Agreement.

(b) Disability. "Disability" shall mean that Executive has been unable to perform his duties as an employee as the result of his incapacity due to physical or mental illness, and such inability, at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representative (such Agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least sixty (60) days written notice by the Company of its intention to terminate Executive's employment. In the event that Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

(c) Termination Date. "Termination Date" shall mean (i) if this Agreement is terminated on account of death, the date of death; (ii) if this Agreement is terminated for Disability, the date specified in Section 8(b); (iii) if this Agreement is terminated by the Company, the date on which indicated in a notice of termination is given to Executive by the Company in accordance with Sections 7(a) and 13(a); (iv) if the Agreement is terminated by Executive, the date indicated in a notice of termination given to the Company by Executive in accordance with Sections 7(a) and 13(a); or (v) if this Agreement expires by its terms, then the last day of the term of this Agreement.

(d) Constructive Termination. A "Constructive Termination" shall be deemed to occur if (A) (1) Executive's position changes as a result of an action by the Company such that (w) Executive shall no longer be Chief Executive Officer of the Company, (x) Executive shall have duties and responsibilities demonstrably less than those typically associated with a Chief Executive Officer, (y) Executive shall no longer report directly to the Company's Board of Directors or (z) Executive is involuntarily removed from the Board of Directors of the Company or, having consented to stand for reelection, is not reelected to the Board of Directors, (2) Executive is required to relocate his place of employment, other than a relocation within fifty (50) miles of Executive's current residence or the Company's current Stamford headquarters, (3) there is a reduction in Executive's base salary or target bonus other than any such reduction consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company or (4) there occurs any other material breach of this

Agreement by the Company (other than a reduction of Executive's base salary or target bonus which is not described in the immediately preceding clause (3)) after a written demand for substantial performance is delivered to the Board by Executive which specifically identifies the manner in which Executive believes that the Company has materially breached this Agreement, and the Company has failed to cure such breach to the reasonable satisfaction of Executive within thirty (30) days following the delivery of such notice and (B) within the ninety (90) day period immediately following an action described in clauses (A) (1) through (4), Executive elects to terminate his employment voluntarily.

(e) Change in Control. A "Change in Control" shall be deemed to have occurred if:

(i) any "Person," as such term is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (iii) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing (A) in the case of any Person filing as a "passive investor" on Schedule 13G under the Exchange Act, 25% or more of the combined voting power of the Company's then-outstanding securities (but only for so long as such Person continues to report as a 13G passive investor), and (B) in the case of any Person not filing or no longer filing as a 13G passive investor, 20% or more of the combined voting power of the Company's then-outstanding securities;

(ii) during any period of twenty-four months (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than (i) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Section (8) (e) (i), (iii) or (iv) hereof, (ii) a director nominated by any Person (including the Company) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control or (iii) a director nominated by any Person who is the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's securities) whose election by the Board or nomination for election by the Company's stockholders was approved in advance by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Company approve any transaction or series of transactions under which the Company is merged or consolidated with any other company, other than a merger or consolidation (A) which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (B) after which no Person holds 20% or more of

the combined voting power of the then-outstanding securities of the Company or such surviving entity;

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Change in Control has occurred.

9. Confidential Information.

(a) Executive acknowledges that the Confidential Information (as defined below) relating to the business of the Company and its subsidiaries which Executive has obtained or will obtain during the course of his association with the Company and subsidiaries and his performance under this Agreement are the property of the Company and its subsidiaries. Executive agrees that he will not disclose or use at any time, either during or after the Employment period, any Confidential Information without the written consent of the Board of Directors of the Company, other than proper disclosure or use in the performance of his duties hereunder. Executive agrees to deliver to the Company at the end of the Employment Term, or at any other time that the Company may request, all memoranda, notes, plans, records, documentation and other materials (and copies thereof) containing Confidential Information relating to the business of the Company and its subsidiaries, no matter where such material is located and no matter what form the material may be in, which Executive may then possess or have under his control. If requested by the Company, Executive shall provide to the Company written confirmation that all such materials have been delivered to the Company or have been destroyed. Executive shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) "Confidential Information" shall mean information which is not generally known to the public and which is used, developed, or obtained by the Company or its subsidiaries relating to the businesses of any of the Company and its subsidiaries or the business of any customer thereof including, but not limited to: products or services; fees, costs and pricing structure; designs; analyses; formulae; drawings; photographs; reports; computer software, including operating systems, applications, program listings, flow charts, manuals and documentation; databases; accounting and business methods; inventions and new developments and methods, whether patentable or unpatentable and whether or not reduced to practice; all copyrightable works; the customers of any of the Company and its subsidiaries and the Confidential Information of any customer thereof; and all similar and related information in whatever form. Confidential Information shall not include any information which (i) was rightfully known by Executive prior to the Employment Term; (ii) is publicly disclosed by law or in response to an order of a court or governmental agency; (iii) becomes publicly available through no fault of Executive or (iv) has been published in a form generally available to the public prior to the date upon which Executive proposes to disclose such information. Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all the material features comprising such information have been published in combination.

10. Inventions and Patents. In the event that Executive, as a part of Executive's activities on behalf of the Company, generates, authors or contributes to any invention, new development or method, whether or not patentable and whether or not reduced to practice, any copyrightable work, any trade secret, any other Confidential Information, or any information that gives any of the Company and its subsidiaries an advantage over any competitor, or similar or related developments or information related to the present or future business of any of the Company and its subsidiaries (collectively "Developments and Information"), Executive acknowledges that all Developments and Information are the exclusive property of the Company. Executive hereby assigns to the Company, its nominees, successors or assigns, all rights, title and interest to Developments and Information. Executive shall cooperate with the Company's Board of Directors to protect the interests of the Company and its subsidiaries in Developments and Information. Executive shall execute and file any document related to any Developments and Information requested by the Company's Board of Directors including applications, powers of attorney, assignments or other instruments which the Company's Board of Directors deems necessary to apply for any patent, copyright or other proprietary right in any and all countries or to convey any right, title or interest therein to any of the Company's nominees, successors or assigns.

11. No Conflicts.

(a) Executive agrees that in his individual capacity he will not enter into any agreement, arrangement or understanding, whether written or oral, with any supplier, contractor, distributor, wholesaler, sales representative, representative group or customer, relating to the business of the Company or any of its subsidiaries, without the express written consent of the Board of Directors of the Company.

(b) As long as Executive is employed by the Company or any of its subsidiaries, Executive agrees that he will not, except with the express written consent of the Board of Directors of the Company, become engaged in, render services for, or permit his name to be used in connection with, any for-profit business other than the business of the Company, any of its subsidiaries or any corporation or partnership in which the Company or any of its subsidiaries have an equity interest.

12. Non-Competition Agreement.

(a) Executive acknowledges that his services are of a special, unique and extraordinary value to the Company and that he has access to the Company's trade secrets, Confidential Information and strategic plans of the most valuable nature. Accordingly, Executive agrees that for the period of three (3) years following the Termination Date, Executive shall not directly or indirectly own, manage, control, participate in, consult with, render services for, or in any manner engage in any business competing with the businesses of the Company or any of its subsidiaries as such businesses exist or are in process of development on the Termination Date (as evidenced by written proposals, market research or similar materials), including without limitation the publication of periodic research and analysis of the information technology industries. Nothing herein shall prohibit Executive from being a passive owner of not more than 1% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) In addition, for a period of three (3) years commencing on the Termination Date, Executive shall not (i) directly or indirectly induce or attempt to induce any employee of the Company or any subsidiary (other than his own assistant) to leave the employ of the Company or such subsidiary, or in any way interfere with the relationship between the Company or any subsidiary and any employee thereof, (ii) hire directly or through another entity any person who was an employee of the Company or any subsidiary at any time during the then preceding 12 months, or (iii) directly or indirectly induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or any subsidiary to cease doing business with the Company or such subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any subsidiary.

(c) Executive agrees that these restrictions on competition and solicitation shall be deemed to be a series of separate covenants not-to-compete and a series of separate non-solicitation covenants for each month within the specified periods, separate covenants not-to-compete and non-solicitation covenants for each state within the United States and each country in the world, and separate covenants not-to-compete for each area of competition. If any court of competent jurisdiction shall determine any of the foregoing covenants to be unenforceable with respect to the term thereof or the scope of the subject matter or geography covered thereby, such remaining covenants shall nonetheless be enforceable by such court against such other party or parties or upon such shorter term or within such lesser scope as may be determined by the court to be enforceable.

(d) Because Executive's services are unique and because Executive has access to Confidential Information and strategic plans of the Company of the most valuable nature, the parties agree that the covenants contained in this Section 12 are necessary to protect the value of the business of the Company and that a breach of any such covenant would result in irreparable and continuing damage for which there would be no adequate remedy at law. The parties agree therefore that in the event of a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof.

13. Miscellaneous Provisions.

(a) Notice. Notices and all other communications contemplated by this Agreement shall be in writing, shall be effective when given, and in any event shall be deemed to have been duly given (i) when delivered, if personally delivered, (ii) three (3) business days after deposit in the U.S. mail, if mailed by U.S. registered or certified mail, return receipt requested, or (iii) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, if so delivered, freight prepaid. In the case of Executive, notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Corporate Secretary.

(b) Notice of Termination. Any termination by the Company or Executive shall be communicated by a notice of termination to the other party hereto given in accordance with

paragraph (a) hereof. Such notice shall indicate the specific termination provision in this Agreement relied upon.

(c) Successors.

(i) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall be entitled to assume the rights and shall be obligated to assume the obligations of the Company under this Agreement and shall agree to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (i) or which becomes bound by the terms of this Agreement by operation of law.

(ii) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(iii) No Other Assignment of Benefits. Except as provided in this Section 12(c), the rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (iii) shall be void.

(d) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) Entire Agreement. This Agreement shall supersede any and all prior agreements, representations or understandings (whether oral or written and whether express or implied) between the parties with respect to the subject matter hereof, including without limitation the Prior Agreement.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. No party shall be entitled to seek or be

awarded punitive damages. All attorneys fees and costs shall be allocated or apportioned as agreed by the parties or, in the absence of an agreement, in such manner as the arbitrator or court shall determine to be appropriate to reflect the final decision of the deciding body as compared to the initial positions in arbitration of each party. This Agreement shall be construed in accordance with and governed by the laws of the State of New York as they apply to contracts entered into and wholly to be performed within such State by residents thereof.

(h) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

(i) Indemnification. In the event Executive is made, or threatened to be made, a party to any legal action or proceeding, whether civil or criminal, by reason of the fact that Executive is or was a director or officer of the Company or serves or served any other entity of which the Company owns 50% or more of the equity in any capacity, Executive shall be indemnified by the Company, and the Company shall pay Executive's related expenses when and as incurred, all to the full extent permitted by law, pursuant to Executive's existing indemnification agreement with the Company in the form made available to all Executive and all other officers and directors or, if it provides greater protection to Executive, to the maximum extent allowed under the law of the State of the Company's incorporation.

(j) Legal Fees. The Company will pay directly the fees and expenses of counsel retained by Executive in connection with the preparation, negotiation and execution of this Agreement.

(k) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

GARTNER GROUP, INC.

By: /s/ William O. Grabe

William O. Grabe, Chairman,
Compensation Committee of Board of
Directors

MICHAEL D. FLEISHER

/s/ Michael D. Fleisher

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS		
	SEP-30-2000	
	JAN-01-2000	
	MAR-31-2000	
		69,486
		0
	295,713	
	5,025	
		0
	420,235	157,229
	83,271	
	938,430	
498,317		0
	0	0
		59
	74,907	
938,430		
	416,290	
	416,290	178,092
	178,092	
	196,807	
	1,756	
	11,915	
	43,752	
	24,502	
19,250		
	0	
	0	0
	19,250	
	0.22	
	0.21	

Amount reported is EPS-BASIC