

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

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 1999
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 (I.R.S. Employer
incorporation or organization) Identification Number)

P.O. Box 10212 06904-2212
56 Top Gallant Road (Zip Code)
Stamford, CT
(Address of principal executive offices)

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

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

Title of Class	Name of Each Exchange On Which Registered
Common Stock, Class A, \$.0005 Par Value	New York Stock Exchange
Common Stock, Class B, \$.0005 Par Value	New York Stock Exchange

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

None.

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 X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ()

The aggregate market value of the voting stock held by persons other than those who may be deemed affiliates of the Company, as of November 30, 1999, was approximately \$717.0 million. Shares of Common Stock held by each executive officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the Registrant's capital stock as of November 30, 1999 was 53,674,606 shares of Common Stock, Class A and 34,174,116 shares of Common Stock, Class B.

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Annual Report to Stockholders of Registrant for the fiscal year ended September 30, 1999. Certain information therein is incorporated by reference into Part II hereof.
- (2) Proxy Statement for the Annual Meeting of Stockholders of Registrant to be held on February 1, 2000. Certain information therein is incorporated by reference into Part III hereof.

PART I

Item 1. Business.

General

Gartner Group, Inc. ("GartnerGroup" or the "Company"), founded in 1979, is the world's leading independent provider of research and analysis on the computer hardware, software, communications and related information technology ("IT") industries. The Company is organized into three business segments: research, services and events. Research encompasses products which, on an ongoing basis, highlight industry developments, review new products and technologies, provide quantitative market research, and analyze industry trends within a particular technology or market sector. The Company enters into annual renewable contracts for research products and distributes such products through print and electronic media. Services, consists primarily of consulting and measurement engagements, which provide comprehensive assessments of cost performance, efficiency and quality for all areas of IT. Events consists of vendor and user focused symposia, expositions and conferences. The Company's primary clients

are senior business executives, IT professionals, purchasers and vendors of IT products and services. With more than 800 research analysts and 400 consultants, GartnerGroup product and service offerings collectively provide comprehensive coverage of the IT industry to over 9,600 client organizations.

Market Overview

The explosion of complex IT products and services creates a growing demand for independent research and analysis. Furthermore, IT is increasingly important to organizations' business strategies as the pace of technological change has accelerated and the ability of an organization to integrate and deploy new information technologies is critical to its competitiveness. Companies planning their IT needs must stay abreast of rapid technological developments and industry best practices in a dynamic market where vendors continually introduce new products with a wide variety of standards and ever-shorter life cycles. As a result, senior business executives and IT professionals are making substantial financial commitments to IT systems and products and require independent, third-party research that provides a comprehensive detailed and complete look at the IT landscape in order to make purchasing and planning decisions for their organization.

Business Strategy

The Company's objective is to maintain and enhance its market position as a leading provider of in-depth, value added, proprietary research and analysis of the IT market. The Company has adopted three strategic imperatives to leverage its thought leadership through both a services organization and an interactive channel in order to maximize opportunity and financial results. First, delivering cutting-edge thought leadership in its research. Second, dramatically growing the Company's consultative business and third, enhancing the Company's web-delivery capabilities.

Deliver Thought Leadership. The Company is a leading provider of in-depth, value-added, proprietary research and analysis of the IT industry. The Company's global network of research professionals is comprised of more than 1,200 analysts and consultants averaging fifteen years of industry experience. Of the 1,200 professionals, 245 professionals are e-business analysts and consultants. The Company intends to increase its investment in thought leadership by recruiting and hiring additional e-business experts. The Company maintains five primary research centers located in Stamford, CT, Santa Clara, CA, Windsor, England, Brisbane, Australia and Tokyo, Japan, plus a number of smaller, satellite research centers throughout the world.

Growth in Consultative Business. The Company intends to invest in and grow its services business to further leverage its knowledge base. There is a significant demand within the Company's current client base for the Company to apply its knowledge and message to client-specific situations and industries. The Company intends to continue to leverage its research knowledge to provide cost effective solutions and to staff appropriately to deliver on the expanding consulting business.

Enhance Web-Delivery Capabilities. The Company intends to significantly invest in re-architecting the Company's Web-delivery capability. The Company is on its third-generation web platform, and has been a leader in using the Web to deliver research to its clients. In order to capture the full potential of the internet as an interactive delivery vehicle, the Company is redesigning its research process to deliver into an Internet paradigm. Going forward, the Company plans to expand its research capability to include tools and a web-based interaction for research and inquiry that is continuously refreshed within a dynamic Internet environment.

The Company believes that successful execution of these strategies will enable the Company to expand its client base in domestic and international markets and to penetrate its client base more effectively.

Products and Services

The Company's principal products are Research, Services and Events.

Research. Research primarily consists of annually renewable subscription-based contracts for research products which, on an ongoing basis, highlight industry developments, review new products and technologies, provide quantitative market research, analyze industry trends within a particular technology or market sector and provide comparative analysis of the information technology operations of organizations.

Research and advisory services provide qualitative and quantitative research and analysis that clarifies decision-making for IT buyers, users and vendors. Research and advisory services also provide objective analysis that helps clients stay ahead of IT trends, directions and vendor strategies and provide worldwide coverage of research, statistical analysis, growth projections and market share rankings of suppliers and vendors to IT manufacturers and the financial community. Each product is supported by a team of research staff members with substantial experience in the covered segment or topic of the IT industry. The Company's staff researches and prepares published reports and responds to telephone and E-mail inquiries from clients. Clients receive GartnerGroup research and analysis on paper and through a number of electronic delivery formats.

The Company measures the volume of its research business based on research contract value. The Company calculates research contract value as the annualized value of all subscription-based research product contracts with ratable revenue recognition in effect at a given point in time, without regard to the duration of the contracts outstanding at such time. Historically, the Company has experienced that a substantial portion of client companies have renewed these services for an equal or higher level of total payments each year.

Deferred revenues, as presented in the Company's Consolidated Balance Sheets, represent unamortized revenues from billed research products, services and events. Total deferred revenues do not directly correlate to contract value as of the same date since contract value represents an annualized value of all outstanding contracts without regard to the duration of such contracts, and deferred revenue represents unamortized revenue remaining on outstanding and billed contracts.

Services. Services consist of consulting and measurement engagements. Consulting services provide customized project consulting on the delivery, deployment and management of high-tech products and services. Principal consulting service offerings include Marketing Strategy, Competitive Analysis, E-Business Strategy, Customer Satisfaction Surveys and E-Business Web Diagnostic. Measurement services provide benchmarking, continuous improvement and best practices services. One of the Company's key measurements of its Services products is services backlog. Services backlog represents future revenue to be derived from in-process consulting and measurement engagements.

Events. Events include symposia, conferences and exhibitions that provide comprehensive coverage of IT issues and forecasts of key IT industry segments. The conference season begins each year with Symposia and ITxpo, held in the United States, Europe and the Asia/Pacific rim. Additionally, the Company sponsors other conferences, seminars and briefings. Certain events are offered as part of a continuous services subscription; however, the majority of events are individually paid for prior to attendance.

Competition

The Company believes that the principal competitive factors in its industry are quality of research and analysis, timely delivery of information, customer service, the ability to offer products that meet changing market needs for information and analysis and price. The Company believes it competes favorably with respect to each of these factors.

The Company experiences competition in the market for information products and services from other 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 technology providers, including electronic and print media companies and consulting firms. The Company's indirect competitors, many of whom have substantially greater financial, information gathering and marketing resources than the Company, could choose to compete directly against the Company in the future. In addition, although the Company believes that it has established a significant market presence, there are few barriers to entry into the Company's market and new competitors could readily seek to compete against the Company in one or more market segments addressed by the Company's services and products. Increased competition, direct and indirect, could adversely affect the Company's operating results through pricing pressure and loss of market share. 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 IT market rapidly evolves, or that the Company can otherwise continue to compete successfully.

Employees

As of September 30, 1999, the Company employed 3,402 persons. Of the 3,402 employees, 890 are located at the Company's headquarters in Stamford, CT, 1,457 are located at other domestic facilities and 1,055 are located outside of the United States. None of the Company's employees are represented by a collective bargaining arrangement. The Company has experienced no work stoppages and considers its relations with employees to be favorable.

The Company's future success will depend in large measure upon the continued contributions of its senior leadership team, professional analysts and consultants, and experienced sales personnel. Accordingly, future operating results will be largely dependent upon the Company's ability to retain the services of these individuals and to attract additional qualified personnel. The Company experiences intense competition for professional personnel with, among others, producers of IT products, management consulting firms and financial services companies. Many of these firms have substantially greater financial resources than the Company to attract and compensate qualified personnel. The loss of the services of key management and professional personnel could have a material adverse effect on the Company's business.

Item 2. Properties.

The Company's headquarters are located in approximately 244,000 square feet of leased office space in five buildings located in Stamford, CT. These facilities accommodate research and analysis, marketing, sales, client support, production and corporate administration. The leases on these facilities expire in 2010. The Company also leases office space in 40 domestic and 38 international locations to support its research and analysis, domestic and international sales efforts and other functions. The Company believes its existing facilities and expansion options are adequate for its current needs and that additional facilities are available for lease to meet future needs.

Item 3. Legal Proceedings.

The Company is involved in legal proceedings and litigation arising in the ordinary course of business. The Company believes the outcome of all current proceedings, claims and litigation will not have a material effect on the Company's financial position or results of operations when resolved in a future period.

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

A special meeting of stockholders was held on July 16, 1999. The matters voted upon and the results of the voting were as follows:

- (1) The stockholders voted 84,887,311 votes in the affirmative and 841,119 votes in the negative, with 105,252 votes abstaining, to recapitalize the Company (see Note 2--Recapitalization in the Notes to Consolidated Financial Statements). In connection with the recapitalization of the Company, Robert E. Weisman resigned as a member of the Board of Directors of the Company as of the effective time of the recapitalization. Additionally, three individuals, Anne Sutherland Fuchs, Charles B. McQuade and Kenneth Roman were appointed to the Board of Directors of the Company at the time of the recapitalization.
- (2) The stockholders voted 69,433,737 votes in the affirmative and 16,324,141 votes in the negative, with 75,804 votes abstaining, to amend the Company's certificate of incorporation to provide for a classified Board of Directors. The Board of Directors has been divided into three classes with one class of directors to be elected each year and each class having a three-year term.
- (3) The stockholders voted 73,761,975 votes in the affirmative and 12,022,943 votes in the negative, with 48,764 votes abstaining, to amend the Company's certificate of incorporation to increase the authorized number of shares of common stock and preferred stock which the Company may issue from 201,600,000 shares of common stock and 2,500,000 shares of preferred stock to 250,000,000 shares of common stock consisting of 166,000,000 shares of Class A Common Stock and 84,000,000 shares of Class B Common Stock) and 5,000,000 shares of Preferred Stock.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of November 30, 1999, there were approximately 250 holders of record of the Company's Class A Common Stock and approximately 6,900 holders of record of the Company's Class B Common Stock. Since September 15, 1998, the Company's Class A Common Stock has been listed for trading on the New York Stock Exchange under the symbol "IT". Since July 20, 1999, the Company's Class B Common Stock has been listed for trading on the New York Stock Exchange under the symbol "IT/B". On July 16, 1999, the Company's stockholders approved a series of transactions that resulted in the separation of the Company and IMS Health. This was accomplished, in part, through the recapitalization of the Company's outstanding common stock into two classes of Common Stock, consisting of Class A Common Stock and Class B Common Stock, and the issuance of an aggregate of 40,689,648 shares of Class B Common Stock to IMS Health in exchange for a like number of shares of Class A Common Stock held by IMS Health. The separation was effected, in part, through the July 26, 1999 tax-free distribution by IMS Health to its stockholders of the newly issued Class B Common Stock of the Company owned by IMS Health. IMS Health is required by IRS regulations to monetize its remaining interest of 6,900,000 shares and warrants for 599,400 shares in the Company as quickly as feasible after the spin-off, subject to certain restrictions agreed to by both companies. In addition, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the authorized capital stock of the Company to a total of 250,000,000 shares of Common Stock (166,000,000 shares of Class A Common Stock and 84,000,000 shares of Class B Common Stock) and 5,000,000 shares of Preferred Stock. The Class B Common Stock is identical in all respects to the Class A Common Stock, except that the Class B Common Stock is entitled to elect at least 80% of the members of the Company's Board of Directors. In addition, any Class B Common Stock holder who owns more than 15% of the outstanding Class B Common Stock, will not be able to vote all of his or her Class B Common Stock in the election of directors unless such holder owns an equivalent percentage of Class A Common Stock. The Company's stockholders also approved an amendment to the Company's Certificate of Incorporation to create a classified Board of Directors of three classes having staggered three-year terms.

In connection with the IMS Health transaction the Company declared a special, nonrecurring cash dividend of \$1.1945 per share, payable to all Company stockholders of record as of July 16, 1999. The cash dividend, totaling approximately \$125.0 million, was paid on July 22, 1999 and was funded out of existing cash.

Also in connection with the recapitalization, on July 27, 1999, the Company commenced a tender offer in a Dutch Auction format to purchase approximately 15% of its outstanding common stock at prices not less than \$21.00 and not more than \$24.00 per share. Under the terms of the Dutch Auction tender offer, the Company repurchased shares of Class A Common Stock and Class B Common Stock in the same proportion as the ratio of the number of shares of each class outstanding on July 26, 1999. Pursuant to the tender offer, which expired on August 31, 1999, the Company purchased a total of 15,759,279 shares, comprised of 9,636,247 shares of Class A Common Stock at a purchase price of \$21.75 per share and 6,123,032 shares of Class B Common Stock at a purchase price of \$21.875 per share. These repurchases were funded in part through term borrowings under the Company's \$500 million credit facility (see Note 8 - --Long-Term Debt in the Notes to the Consolidated Financial Statements). The Company also is required to purchase 5,166,691 shares, allocated between Class A Common Stock and Class B Common Stock in the same proportion as in the Dutch Auction, in the open market by July 2001 as part of the recapitalization plan.

Under the terms of the recapitalization agreement, the Company is required to indemnify IMS Health for additional taxes, under certain circumstances, if actions by the Company cause the distribution to become taxable to IMS Health and its stockholders. These actions include the use of stock for substantial acquisitions and the issuance, without regulatory approval, of stock options over set limitations during a two-year period following the recapitalization. In addition, the Company has indemnified IMS Health on any tax liabilities associated with the spin-off that may result from the acquisition of the Company. The Company monitors its actions for compliance in this regard and believes that it is unlikely, within matters under the Company's control, that it will incur any significant costs as a result of its indemnity.

Other information required by this item is incorporated herein by reference to page 24 of 1999 Annual Report to Stockholders of Registrant.

Item 6. Selected Consolidated Financial Data.

"Selected Consolidated Financial Data" contained on page 47 of the Annual Report of Stockholders of Registrant is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 18 through 25 of the 1999 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

"Quantitative and Qualitative Disclosures about Market Risk" contained on page 25 of the 1999 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Item 8. Consolidated Financial Statements and Supplementary Data.

"Consolidated Financial Statements and Supplementary Data" contained on pages 26 through 46 of the 1999 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information relating to directors of the Company is set forth under the caption "Proposal One: Election of Directors" on pages 2 through 14 of the Proxy Statement for Annual Meeting of Stockholders of Registrant to be held February 1, 2000 and is incorporated herein by reference. Information relating to executive officers of the Company is set forth under the caption "Executive Officers" on page 6 of the Proxy Statement for Annual Meeting of Stockholders of Registrant to be held February 1, 2000 and is incorporated herein by reference. Information relating to Section 16(a) of the Exchange Act is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 17 of the Proxy Statement for Annual Meeting of Stockholders of Registrant to be held February 1, 2000 and is incorporated herein by reference.

Item 11. Executive Compensation.

Information relating to Executive Compensation is set forth under the caption "Executive Compensation" on pages 7 through 14 of the Proxy Statement for Annual Meeting of Stockholders of Registrant to be held February 1, 2000 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information relating to Security Ownership of Certain Beneficial Owners and Management is set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" on pages 15 and 16 of the Company's Proxy Statement for Annual Meeting of Stockholders of Registrant to be held February 1, 2000 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Information relating to Certain Relationships and Related Transactions is set forth under the caption "Certain Relationships and Transactions" of the Proxy Statement for Annual Meeting of Stockholders of Registrant to be held February 1, 2000 on page 17 and is incorporated herein by reference.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements

 The following consolidated financial statements are incorporated herein by reference to the 1999 Annual Report to Stockholders of Registrant in response to Item 8 thereof:

- (i) Report of Independent Auditors
- (ii) Consolidated Balance Sheets as of September 30, 1999 and 1998
- (iii) Consolidated Statements of Operations for Fiscal Years Ended September 30, 1999 and 1998
- (iv) Consolidated Statements of Changes in Stockholders' Equity for Fiscal Years Ended September 30, 1999, 1998 and 1997
- (v) Consolidated Statements of Cash Flows for Fiscal Years Ended September 30, 1999, 1998 and 1997
- (vi) Notes to Consolidated Financial Statements

2. Financial Statement Schedule

 II. Valuation and qualifying accounts Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

3. Exhibits

Exhibit Number	Description of Document

3.1(6)	Amended and Restated Certificate of Incorporation
3.2(4)	Amended Bylaws, as of July 16, 1999
4.1(1)	Form of Certificate for Common Stock, Class A
4.2(6)	Form of Stock Certificate for Common Stock, Class B
10.1(1)	Form of Indemnification Agreement
10.2(1)	Amended and Restated Registration Rights Agreement dated March 19, 1993 among the Registrant, Dun & Bradstreet Corporation and D&B Enterprises, Inc.
10.3(2)	Lease dated December 29, 1994 between Soundview Farms and the Registrant related to premises at 56 Top Gallant Road, 70 Gatehouse Road, and 88 Gatehouse Road, Stamford, Connecticut
10.4	Lease dated May 16, 1997 between Soundview Farms and the Registrant related to premises at 56 Top Gallant Road, 70 Gatehouse Road, 88 Gatehouse Road and 10 Signal Road, Stamford, Connecticut (amendment to lease dated December 29, 1994, see exhibit 10.3)
10.5(1)*	Long Term Incentive Plan (Tenure Plan), including form of Employee Stock Purchase Agreement
10.6*	1991 Stock Option Plan, as amended and restated on October 12, 1999
10.7 (1)*	1993 Director Stock Option Plan
10.8 (1)*	Employee Stock Purchase Plan
10.9*	1994 Long Term Stock Option Plan, as amended and restated on October 12, 1999
10.10(2)	Forms of Master Client Agreement
10.11(1)	Commitment Letter dated July 16, 1993 from The Bank of New York
10.12(1)	Indemnification Agreement dated April 16, 1993 by and among the Registrant, Cognizant Corporation (as successor to the Dun & Bradstreet Corporation) and the Information Partners Capital Fund
10.13*	1998 Long Term Stock Option Plan, as amended and restated on October 12, 1999
10.14(3)	Commitment Letter dated September 30, 1996 from Chase Manhattan Bank
10.15*	1996 Long Term Stock Option Plan, as amended and restated on October 12, 1999
10.16(5)	Employment Agreement between Manuel A. Fernandez and Gartner Group, Inc. as of November 12, 1998

- 10.17(5) Employment Agreement between William T. Clifford and Gartner Group, Inc. as of November 12, 1998
- 10.18(5) Employment Agreement between E. Follett Carter and Gartner Group, Inc. as of November 12, 1998
- 10.19(5) Employment Agreement between Michael D. Fleisher and Gartner Group, Inc. as of November 12, 1998
- 10.20* Employment Agreement between Regina M. Paolillo and Gartner Group, Inc. as of February 8, 1999
- 10.21* Employment Agreement between Richard E. Eldh, Jr. and Gartner Group, Inc. as of February 8, 1999
- 13.1 Annual report to stockholders
- 21.1 Subsidiaries of Registrant
- 23.1 Independent Auditors' Report on Schedule
- 23.2 Independent Auditors' Consent
- 24.1 Power of Attorney (see Signature Page)
- 27.1 Financial Data Schedules

* Compensation plan or arrangement required to be filed as an exhibit to this report on Form 10-K pursuant to Item 14(c) this report.

- (1) Incorporated by reference from the Registrant's Registration Statement on Form S-1 (File No. 33-67576), as amended, effective October 4, 1993.
- (2) Incorporated by reference from the Registrant's Annual Report on Form 10-K as filed on December 21, 1995.
- (3) Incorporated by reference from the Registrant's Annual Report on Form 10-K as filed on December 17, 1996.
- (4) Incorporated by reference from Registrant's Registration Statement on Form S-8 (File No. 333-35169) as filed on September 8, 1997.
- (5) Incorporated by reference from the Registrant's Annual Report on Form 10-K filed on December 24, 1998.
- (6) Incorporated by reference from the Registrant's Registration Statement on Form 8-A as filed on July 7, 1999.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K dated July 29, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Stamford, State of Connecticut, on the 20th day of December, 1999.

GARTNER GROUP, INC.

By: /s/ MICHAEL D. FLEISHER

Michael D. Fleisher
President and Chief Executive
Officer

POWER OF ATTORNEY

KNOW ALL PERSON BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Michael D. Fleisher and Regina M. Paolillo and each of them acting individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Report.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

Name	Title	Date
/s/ MICHAEL D. FLEISHER ----- Michael D. Fleisher	Director, President and Chief Executive Officer (Principal Executive Officer)	December 20, 1999
/s/ REGINA M. PAOLILLO ----- Regina M. Paolillo	Executive Vice President Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer)	December 20, 1999
/s/ MANUEL A. FERNANDEZ ----- Manuel A. Fernandez	Director, Chairman of the Board	December 20, 1999
/s/ ANNE SUTHERLAND FUCHS ----- Anne Sutherland Fuchs	Director	December 20, 1999
/s/ WILLIAM O. GRABE ----- William O. Grabe	Director	December 20, 1999
/s/ MAX D. HOPPER ----- Max D. Hopper	Director	December 20, 1999
/s/ JOHN P. IMLAY, JR. ----- John P. Imlay, Jr.	Director	December 20, 1999
/s/ CHARLES B. MCQUADE ----- Charles B. McQuade	Director	December 20, 1999
/s/ STEPHEN G. PAGLIUCA ----- Stephen G. Pagliuca	Director	December 20, 1999
/s/ DENNIS G. SISCO ----- Dennis G. Sisco	Director	December 20, 1999

GARTNER GROUP, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(all amounts in thousands)

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts (1)	Deductions from Reserve (2)	Deductions for Sale of Business	Balance at End of Year
	-----	-----	-----	-----	-----	-----
Year Ended September 30, 1997						
Allowance for doubtful accounts and returns and allowances	\$4,460	\$3,421	\$319	\$2,860	\$ --	\$5,340
	-----	-----	-----	-----	-----	-----
Year Ended September 30, 1998						
Allowance for doubtful accounts and returns and allowances	\$5,340	\$4,051	\$ --	\$3,564	\$1,702	\$4,125
	-----	-----	-----	-----	-----	-----
Year Ended September 30, 1999						
Allowance for doubtful accounts and returns and allowances	\$4,125	\$5,128	\$274	\$4,589	\$ --	\$4,938
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(1) Allowances of \$274 and \$319 assumed upon acquisitions of entities in year ended September 30, 1999 and 1997, respectively.

(2) Amounts written off.

GARTNER GROUP, INC.
1991 STOCK OPTION PLAN

As amended and restated on October 12, 1999

This 1991 Stock Option Plan is an amendment and restatement of the Gartner Group, Inc. 1991 Stock Option and Appreciation Right Incentive Compensation Plan.

1. Purpose of the Plan. The purpose of this Stock Option Plan is to enable the Company to provide incentive to eligible employees, consultants and officers whose present and potential contributions are important to the continued success of the Company, to afford these individuals the opportunity to acquire a proprietary interest in the Company, and to enable the Company to enlist and retain in its employment qualified personnel for the successful conduct of its business. It is intended that this purpose will be effected through the granting of (a) stock options, (b) stock purchase rights, (c) stock appreciation rights, and (d) long-term performance awards.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or such of its Committees as shall be administering the Plan, in accordance with Section 8 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under applicable securities laws, Delaware corporate law and the Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a Committee appointed by the Board in accordance with Section 8 of the Plan.

(f) "Common Stock" means the Common Stock, \$.01 par value, of the Company.

(g) "Company" means Gartner Group, Inc., a Delaware corporation, previously known as GGI Holding Corporation.

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(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship is not interrupted or terminated by the Company, or any Parent or Subsidiary. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) any leave of absence approved by the Administrator, including sick leave, military leave, or any other personal leave; provided, however, that for purposes of Continuous Status as an Employee or Consultant, no such leave may exceed ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract (including written Company policies) or statute or unless (in the case of Options and Rights other than Incentive Stock Options) the Administrator has expressly designated a longer leave period during which (for purposes of such Options or Rights) Continuous Status as an Employee or Consultant shall continue; or (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor; and provided further that any vesting or lapsing of the Company's right to repurchase Shares at their original purchase price shall cease on the ninety-first (91st) consecutive day of any leave of absence approved by the Administrator and shall not recommence until such date, if any, upon which the Consultant or Optionee resumes his or her service with the Company. Continuous employment shall be interrupted and terminated for an Employee if the Employee's weekly work hours change from full time to part time. Part-time status for the purpose of vesting continuation or eligibility to receive Options shall be determined in accordance with policies adopted by the Company from time to time, which policies, if any, shall supercede the determination of part-time status set forth in the Company's posted "employee status definitions".

(j) "Director" means a member of the Board.

(k) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(l) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

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(n) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid price, if no sales were reported) as quoted on such exchange or system (or the exchange with the greatest volume of trading in Common Stock) on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator of the Plan deems reliable.
- (ii) If the Common Stock is quoted on the NASDAQ System (but not on the Nasdaq National Market thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable.
- (iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "Long-Term Performance Award" means an award under Section 7 below. A Long-Term Performance Award shall permit the recipient to receive a cash or stock bonus (as determined by the Administrator) upon satisfaction of such performance factors as are set out in the recipient's individual grant. Long-term Performance Awards will be based upon the achievement of Company, Subsidiary and/or individual performance factors or upon such other criteria as the Administrator may deem appropriate.

(q) "Long-Term Performance Award Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Long-Term Performance Award grant. The Long-Term Performance Award Agreement is subject to the terms and conditions of the Plan.

(r) "Nonstatutory Stock Option" means any Option that is not an Incentive Stock Option.

(s) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option, Stock Purchase Right, SAR or Long-Term Performance Award grant. The Notice of Grant is part of the Option Agreement, the SAR Agreement and the Long-Term Performance Award Agreement.

(t) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) "Option" means a stock option granted pursuant to the Plan.

(v) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(w) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(x) "Optioned Stock" means the Common Stock subject to an Option or Right.

(y) "Optionee" means an Employee or Consultant who holds an outstanding Option or Right.

(aa) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(bb) "Plan" means this Stock Option Plan, formerly the 1991 Stock Option and Appreciation Right Incentive Compensation Plan.

(cc) "Restricted Stock" means shares of Common Stock subject to a Restricted Stock Purchase Agreement acquired pursuant to a grant of Stock Purchase Rights under Section 6 below.

(dd) "Restricted Stock Purchase Agreement" means a written agreement between the Company and the Optionee evidencing the terms and restrictions applying to stock purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the Notice of Grant.

(ee) "Right" means and includes SARs, Long-Term Performance Awards and Stock Purchase Rights granted pursuant to the Plan.

(ff) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor rule thereto, as in effect when discretion is being exercised with respect to the Plan.

(gg) "SAR" means a stock appreciation right granted pursuant to Section 5 of the Plan.

(hh) "SAR Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual SAR grant. The SAR Agreement is subject to the terms and conditions of the Plan.

(ii) "Share" means a share of the Common Stock, as adjusted in accordance with Section 10 of the Plan.

(jj) "Stock Purchase Right" means the right to purchase Common Stock pursuant to Section 6 of the Plan, as evidenced by a Notice of Grant.

(kk) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Shares Subject to the Plan. Subject to the provisions of Section 10 of the Plan, the total number of Shares reserved and available for distribution under the Plan is 32,800,000 Shares. Subject to Section 10 of the Plan, if any Shares that have been optioned under an Option cease to be subject to such Option (other than through exercise of the Option), or if any Option or Right granted hereunder is forfeited or any such award otherwise terminates prior to the issuance of Common Stock to the participant, the shares that were subject to such Option or Right shall again be available for distribution in connection with future Option or right grants under the Plan; provided, however, that Shares that have actually been issued under the Plan, whether upon exercise of an Option or Right, shall not in any event be returned to the Plan and shall not become available for future distribution under the Plan.

4. Eligibility. Nonstatutory Stock Options and Rights may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee or Consultant who has been granted an Option or Right may be granted additional Options or Rights.

5. Options and SARs.

(a) Options. The Administrator, in its discretion, may grant Options to eligible participants and shall determine whether such Options shall be Incentive Stock Options or Nonstatutory Stock Options. Each Option shall be evidenced by a Notice of Grant which shall expressly identify the Options as Incentive Stock Options or as Nonstatutory Stock Options, and be in such form and contain such provisions as the Administrator shall from time to time deem appropriate. Without limiting the foregoing, the Administrator may at any time authorize the Company, with the consent of the respective recipients, to issue new Options or Rights in exchange for the surrender and cancellation of outstanding Options or Rights. Option agreements shall contain the following terms and conditions:

- (i) Exercise Price; Number of Shares. The per Share exercise price for the Shares issuable pursuant to an Option shall be such price as is determined by the Administrator; provided, however, that in the case of an Incentive Stock Option, the price shall be no less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted, subject to any additional conditions set out in Section 5(a)(iv) below.

The Notice of Grant shall specify the number of Shares to which it pertains.

- (ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will determine the terms and conditions to be satisfied before Shares may be purchased, including the dates on which Shares subject to the Option may first be purchased. The Administrator may specify that an Option may not be exercised until the completion of the service period specified at the time of grant. (Any such period is referred to herein as the "waiting period.") At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised, which shall not be earlier than the end of the waiting period, if any, nor, in the case of an Incentive Stock Option, later than ten (10) years, from the date of grant.

- (iii) Form of Payment. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive

Stock Option, shall be determined at the time of grant) and may consist entirely of:

- (1) cash;
- (2) check;
- (3) promissory note;
- (4) other Shares which (1) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (2) have a Fair Market Value on the date of surrender not greater than the aggregate exercise price of the Shares as to which said Option shall be exercised;
- (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and any broker approved by the Company, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;
- (6) any combination of the foregoing methods of payment; or
- (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

- (iv) Special Incentive Stock Option Provisions. In addition to the foregoing, Options granted under the Plan which are intended to be Incentive Stock Options under Section 422 of the Code shall be subject to the following terms and conditions:

(1) Dollar Limitation. To the extent that the aggregate Fair Market Value of (a) the Shares with respect to which Options designated as Incentive Stock Options plus (b) the shares of stock of the Company, Parent and any Subsidiary with respect to which other incentive stock options are exercisable for the first time by an Optionee during any calendar year under all plans of the Company and any Parent

and Subsidiary exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of the preceding sentence, (a) Options shall be taken into account in the order in which they were granted, and (b) the Fair Market Value of the Shares shall be determined as of the time the Option or other incentive stock option is granted.

(2) 10% Stockholder. If any Optionee to whom an Incentive Stock Option is to be granted pursuant to the provisions of the Plan is, on the date of grant, the owner of Common Stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, then the following special provisions shall be applicable to the Option granted to such individual:

(a) The per Share Option price of Shares subject to such Incentive Stock Option shall not be less than 110% of the Fair Market Value of Common Stock on the date of grant; and

(b) The Option shall not have a term in excess of five (5) years from the date of grant.

Except as modified by the preceding provisions of this subsection 5(a)(iv) and except as otherwise limited by Section 422 of the Code, all of the provisions of the Plan shall be applicable to the Incentive Stock Options granted hereunder.

(v) Other Provisions. Each Option granted under the Plan may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Administrator.

(vi) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

(b) SARs.

- (i) In Connection with Options. At the sole discretion of the Administrator, SARs may be granted in connection with all or any part of an Option, either concurrently with the grant of the Option or at any time thereafter during the term of the Option. The following provisions apply to SARs that are granted in connection with Options:

(1) The SAR shall entitle the Optionee to exercise the SAR by surrendering to the Company unexercised a portion of the related Option. The Optionee shall receive in Exchange from the Company an amount equal to the excess of (1) the Fair Market Value on the date of exercise of the SAR of the Common Stock covered by the surrendered portion of the related Option over (2) the exercise price of the Common Stock covered by the surrendered portion of the related Option. Notwithstanding the foregoing, the Administrator may place limits on the amount that may be paid upon exercise of an SAR; provided, however, that such limit shall not restrict the exercisability of the related Option.

(2) When an SAR is exercised, the related Option, to the extent surrendered, shall cease to be exercisable.

(3) An SAR shall be exercisable only when and to the extent that the related Option is exercisable and shall expire no later than the date on which the related Option expires.

(4) An SAR may only be exercised at a time when the Fair Market Value of the Common Stock covered by the related Option exceeds the exercise price of the Common Stock covered by the related Option.

- (ii) Independent of Options. At the sole discretion of the Administrator, SARs may be granted without related Options. The following provisions apply to SARs that are not granted in connection with Options:

(1) The SAR shall entitle the Optionee, by exercising the SAR, to receive from the Company an

amount equal to the excess of (1) the Fair Market Value of the Common Stock covered by the exercised portion of the SAR, as of the date of such exercise, over (2) the Fair Market Value of the Common Stock covered by the exercised portion of the SAR, as of the last market trading date prior to the date on which the SAR was granted; provided, however, that the Administrator may place limits on the aggregate amount that may be paid upon exercise of an SAR.

(2) SARs shall be exercisable, in whole or in part, at such times as the Administrator shall specify in the Optionee's SAR agreement.

(iii) Form of Payment. The Company's obligation arising upon the exercise of an SAR may be paid in Common Stock or in cash, or in any combination of Common Stock and cash, as the Administrator, in its sole discretion, may determine. Shares issued upon the exercise of an SAR shall be valued at their Fair Market Value as of the date of exercise.

(c) Method of Exercise.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option or SAR granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option or SAR shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option or SAR by the person entitled to exercise the Option or SAR and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator (and, in the case of an Incentive Stock Option, determined at the time of grant) and permitted by the Option Agreement consist of any consideration and method of payment allowable under subsection 5(a)(iii) of the Plan. Until the issuance (as evidenced by the appropriate entry

on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter shall be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised. Exercise of an SAR in any manner shall, to the extent the SAR is exercised, result in a decrease in the number of Shares which thereafter shall be available for purposes of the Plan, and the SAR shall cease to be exercisable to the extent it has been exercised.

- (ii) Rule 16b-3. Options and SARs granted to individuals subject to Section 16 of the Exchange Act ("Insiders") must comply with the applicable provisions of Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.
- (iii) Termination of Employment or Consulting Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates (other than upon the Optionee's death or Disability), the Optionee may exercise his or her Option or SAR, but only within such period of time as is determined by the Administrator at the time of grant, not to exceed six (6) months (three (3) months in the case of an Incentive Stock Option) from the date of such termination, and only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Option or SAR Agreement). To the extent that Optionee was not entitled to exercise an Option or SAR at the date of such termination, and to the extent that the

Optionee does not exercise such Option or SAR (to the extent otherwise so entitled) within the time specified herein, the Option or SAR shall terminate.

- (iv) Disability of Optionee. In the event an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option or SAR, but only within six (6) months from the date of such termination, and only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Option or SAR Agreement). To the extent that Optionee was not entitled to exercise an Option or SAR at the date of such termination, and to the extent that the Optionee does not exercise such Option or SAR (to the extent otherwise so entitled) within the time specified herein, the Option or SAR shall terminate.
- (v) Death of Optionee. Notwithstanding Sections 5(c) (iii) and 5(c) (iv) above, in the event of an Optionee's death during Optionee's Continuous Status as an Employee or Consultant, the Optionee's estate or a person who acquired the right to exercise the deceased Optionee's Option or SAR by bequest or inheritance may exercise the Option or SAR, but only within six (6) months (or such lesser period as the Option or SAR Agreement may provide, or such longer period, not to exceed twelve (12) months, as the Option or SAR Agreement may provide) following the date of death, and only to the extent that the Optionee was entitled to exercise it at the date of death (but in no event later than the expiration of the full term of such Option or SAR as set forth in the Option or SAR Agreement). To the extent that Optionee was not entitled to exercise an Option or SAR at the date of death, and to the extent that the Optionee's estate or a person who acquired the right to exercise such Option does not exercise such Option or SAR (to the extent otherwise so entitled) within the time specified herein, the Option or SAR shall terminate.

(d) The following limitations shall apply to grants of Options to

Employees:

- (i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 500,000 shares.
- (ii) In connection with his or her initial employment, an Employee may be granted Options to purchase up to an additional 500,000 Shares which shall not count against the limit set forth in subsection (i) above.
- (iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 10.
- (iv) If an Option is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction describe in Section 10), the canceled Option will be counted against the limit set forth in Section 5(d)(i). For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

6. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that the offeree shall be entitled to purchase, the price to be paid, and the time within which the offeree must accept such offer, which shall in no event exceed thirty (30) days from the date upon which the Administrator made the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Restricted Stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(c) Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each purchaser.

(d) Rule 16b-3. Stock Purchase Rights granted to Insiders, and Shares purchased by Insiders in connection with Stock Purchase Rights, shall be subject to any restrictions applicable thereto in compliance with Rule 16b-3. An Insider may only purchase Shares pursuant to the grant of a Stock Purchase Right, and may only sell Shares purchased pursuant to the grant of a Stock Purchase Right, during such time or times as are permitted by Rule 16b-3.

(e) Rights as a Stockholder. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a stockholder, and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 10 of the Plan.

7. Long-Term Performance Awards.

(a) Administration. Long-Term Performance Awards are cash or stock bonus awards that may be granted either alone or in addition to other awards granted under the Plan. Such awards shall be granted for no cash consideration. The Administrator shall determine the nature, length and starting date of any performance period (the "Performance Period") for each Long-Term Performance Award, and shall determine the performance or employment factors, if any, to be used in the determination of Long-Term Performance Awards and the extent to which such Long-Term Performance Awards are valued or have been earned. Long-Term Performance Awards may vary from participant to participant and between groups of participants and shall be based upon the achievement of Company, Subsidiary, Parent and/or individual performance factors or upon such other criteria as the Administrator may deem appropriate. Performance Periods may overlap and participants may participate simultaneously with respect to Long-Term Performance Awards that are subject to different Performance Periods and different performance factors and criteria. Long-Term Performance Awards shall be confirmed by, and be subject to the terms of, a Long-Term Performance Award agreement. The terms of such awards need not be the same with respect to each participant.

At the beginning of each Performance Period, the Administrator may determine for each Long-Term Performance Award subject to such Performance Period the range of dollar values or number of shares of Common

Stock to be awarded to the participant at the end of the Performance Period if and to the extent that the relevant measures of performance for such Long-Term Performance Award are met. Such dollar values or number of shares of Common Stock may be fixed or may vary in accordance with such performance or other criteria as may be determined by the Administrator.

(b) Adjustment of Awards. The Administrator may adjust the performance factors applicable to the Long-Term Performance Awards to take into account changes in legal, accounting and tax rules and to make such adjustments as the Administrator deems necessary or appropriate to reflect the inclusion or exclusion of the impact of extraordinary or unusual items, events or circumstances in order to avoid windfalls or hardships.

8. Administration.

(a) Composition of Administrator.

- (i) Multiple Administrative Bodies. If permitted by Rule 16b-3 and Applicable Laws, the Plan may (but need not) be administered by different administrative bodies with respect to (A) Directors who are employees, (B) Officers who are not Directors and (C) Employees who are neither Directors nor Officers.
- (ii) Administration with respect to Directors and Officers. With respect to grants of Options and Rights to eligible participants who are Officers or Directors of the Company, the Plan shall be administered by (A) the Board, if the Board may administer the Plan in compliance with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted (1) in such a manner as to permit the Plan to comply with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan and (2) in such a manner as to satisfy the Applicable Laws.
- (iii) Administration with respect to Other Persons. With respect to grants of Options to eligible participants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws.

- (iv) General. Once a Committee has been appointed pursuant to subsection (ii) or (iii) of this Section 8(a), such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee appointed under subsection (ii), to the extent permitted by Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;
- (ii) to select the Consultants and Employees to whom Options and Rights may be granted hereunder;
- (iii) to determine whether and to what extent Options and Rights or any combination thereof, are granted hereunder;
- (iv) to determine the number of shares of Common Stock to be covered by each Option and Right granted hereunder;
- (v) to approve forms of agreement for use under the Plan;
- (vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Rights may be exercised (which may be based on performance

criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Right or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

- (vii) to construe and interpret the terms of the Plan;
- (viii) to prescribe, amend and rescind rules and regulations relating to the Plan;
- (ix) to determine whether and under what circumstances an Option or Right may be settled in cash instead of Common Stock or Common Stock instead of cash;
- (x) to reduce the exercise price of any Option or Right;
- (xi) to modify or amend each Option or Right (subject to Section 16 of the Plan);
- (xii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option or Right previously granted by the Administrator;
- (xiii) to institute an Option Exchange Program;
- (xiv) to determine the terms and restrictions applicable to Options and Rights and any Restricted Stock; and
- (xv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options or Rights.

9. Transferability of Options. Unless otherwise determined by the Administrator to the contrary, Options and Rights may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. The Administrator may, in the manner established by the Administrator, provide for the transfer of a Nonstatutory Stock Option by the Optionee to any member of the Optionee's immediate family. In such case, the Nonstatutory Stock Option shall be

exercisable only by such transferee. Following transfer, any such Nonstatutory Stock Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer. For purposes of this Section, an Optionee's "immediate family" shall mean any of the following who have acquired the Option from the Optionee through a gift or domestic relations order: a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of these persons and any other entity owned solely by these persons, and such other persons and entities as shall be eligible to be included as transferees in the Form S-8 Registration Statement under the Securities Act of 1933, as amended, filed or to be filed by the Company to register shares of Common Stock to be issued upon the exercise of Options granted pursuant to the Plan.

10. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option and Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Right, as well as the price per share of Common Stock covered by each such outstanding Option or Right, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option or Right has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option or Right shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his

or her Option or Right as to all or any part of the Optioned Stock, including Shares as to which the Option or Right would not otherwise be exercisable.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option and Right shall be assumed or an equivalent Option or Right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the Option or to substitute an equivalent option, the Administrator shall, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option or Right as to all or a portion of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option or Right exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option or Right shall be exercisable for a period of not less than fifteen (15) days from the date of such notice, and the Option or Right will terminate upon the expiration of such period. For the purposes of this paragraph, the Option or Right shall be considered assumed if, immediately following the merger or sale of assets, the Option or Right confers the right to purchase, for each Share of Optioned Stock subject to the Option or Right immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon the exercise of the Option or Right, for each Share of Optioned Stock subject to the Option or Right, to be solely common stock of the successor corporation or its Parent equal in Fair Market Value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

11. Date of Grant. The date of grant of an Option or Right shall be, for all purposes, the date on which the Administrator makes the determination granting such Option or Right, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

12. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or Right unless the exercise of such Option or Right and the issuance and delivery of such Shares shall comply with all relevant

provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option or Right, the Company may require the person exercising such Option or Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

13. Liability of Company.

(a) Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option or Right exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Option or Right shall be void with respect to such excess Optioned Stock, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 16(b) of the Plan.

14. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

15. Stockholder Approval. Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

16. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such stockholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

17. Taxation Upon Exercise of Option or Right. At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this Section 17. When an Optionee incurs tax liability in connection with an Option or Right, which tax liability is subject to withholding under applicable tax laws, the Optionee may satisfy the tax withholding obligation by one or some combination of the following methods: (a) by cash payment, or (b) out of Optionee's current compensation, or (c) by surrendering to the Company Shares which (i) in the case of Shares previously acquired from the Company, have been owned by the Optionee for more than six months on the date of surrender, and (ii) have a fair market value on the date of surrender equal to or less than Optionee's marginal tax rate times the ordinary income recognized, or (d) by electing to have the Company withhold from the Shares to be issued upon exercise of the Option or Right that number of Shares having a fair market value equal to the amount required to be withheld. For this purpose, the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

If the Optionee is an Insider, any surrender of previously owned Shares to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

All elections by an Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date;

(b) once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made;

(c) all elections shall be subject to the consent or disapproval of the Administrator;

(d) if the Optionee is an Insider, the election must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

In the event the election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

18. Term of the Plan. The Plan shall expire, and no further Options shall be granted pursuant to the Plan, on April 25, 2001.

19. Tax and Social Security Indemnity. An Optionee shall indemnify the Company against any tax arising in respect of the grant or exercise of an Option or Right which is a liability of the Optionee but for which the Company is required to account under the laws of any relevant territory. The Company may recover the tax from the Optionee in such manner as the Administrator deems appropriate, including (but without prejudice to the generality of the foregoing):

(a) withholding shares upon the exercise of the Option and selling the same;

(b) deducting the necessary amount from the Optionee's compensation;

or
(c) requiring the Optionee to make cash payment to the Company for such tax.

20. Options Granted to Employees of French Subsidiaries.

(a) Purpose. Options granted under the Plan to Employees of French subsidiaries are intended to qualify under the French regulations as provided in articles 208-1 to 208-8-2 of the French Company Act (Code des Societes). The purpose of this Section is to specify the applicable rules to Options for French Employees and shall not be applicable to any other Employee of the Company.

(b) General. Options granted to French Employees under the Plan are subject to the provisions of the Plan and any option agreement unless otherwise provided in this Section 20.

(c) Eligible Participants. Options may be granted exclusively to Employees of French subsidiaries as (defined in Section 2(1)) of the Plan. Payment of Director fees by the Company shall not be sufficient to constitute employment for any purposes of the Options granted to Employees of French subsidiaries. Employees of French subsidiaries may not be granted Options if, at the date of grant, they hold more than ten percent (10%) of the Common Stock of the Company. Section 5(a)(iv)(2) shall not apply to the grant of Options to French employees.

(d) Options. Eligible Employees may be granted options as provided in Section 5(a) of the Plan. If rights or awards mentioned in Section 5(b) (Stock Appreciation Rights), Section 6 (Stock Purchase Rights) and Section 7 (Long-Term Performance Awards) of the Plan are granted to Employees of French subsidiaries, the provisions of this Section shall not apply to the Stock Appreciation Rights, Stock Purchase Rights and Long-Term Performance Awards granted.

(e) Option Price. The exercise price of the Option shall be determined as set forth in the Plan but it shall not be less than 80% of the average Fair Market Value of the Common Stock during the twenty (20) market trading days prior to the date of the grant. The exercise price shall remain unchanged once the Option is granted. The authority of Administrator to reduce the Option exercise price, as set forth in Section 8(b)(x) of the Plan, shall, with respect to Options granted to Employees of French subsidiaries, be limited to the extent that such reduction may not be to a price less than 80% of the average Fair Market Value of the Common Stock during the twenty (20) market trading days prior to the date of such reduction.

(f) Exercise of the Option. Upon exercise of an Option, Employees of French subsidiaries will receive Shares of Common Stock. Section 8(b)(ix) of the Plan, concerning the ability to settle the Option in cash instead of Shares of Common Stock, is not applicable to Employees of French subsidiaries.

(g) Qualification of Plan. In order to have the Plan qualify in France, any other provision of the Plan that would not be consistent with French company law or tax law requirements shall not apply to Employees of French subsidiaries.

GARTNER GROUP, INC.

LONG TERM STOCK OPTION PLAN

As amended and restated on October 12, 1999

1. Purposes of the Plan. The purposes of this Long Term Stock Option Plan (the "Plan") are:

- o to attract and retain quality personnel for positions of substantial responsibility,
- o to create additional incentive for senior personnel of the Company by offering long term equity participation in the Company, and
- o to promote the long-term success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall administer the Plan in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under state corporate and securities laws and the Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(f) "Common Stock" means the Common Stock, Class A of the Company.

(g) "Company" means Gartner Group, Inc., a Delaware corporation.

(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services. The term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Continuous employment shall be interrupted and terminated for an Employee if the Employee's weekly work hours change from full time to part time. Part-time status for the purpose of vesting continuation or eligibility to receive Options shall be determined in accordance with policies adopted by the Company from time to time, which policies, if any, shall supercede the determination of part-time status set forth in the Company's posted "employee status definitions".

(j) "Director" means a member of the Board.

(k) "Disability" means total and permanent disability as defined in Section 22(e) (3) of the Code.

(l) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National

Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the Fair Market Value of a share of Common Stock shall be the closing sales prices for such stock (or the closing bid price, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common Stock) on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator of the Plan deems reliable;

- (ii) If the Common Stock is quoted on the NASDAQ System (but not on the Nasdaq National Market thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;
- (iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is part of the Option Agreement.

(r) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) "Option" means a stock option granted pursuant to the Plan.

(t) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(u) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(v) "Optioned Stock" means the Common Stock subject to an Option.

(w) "Optionee" means an Employee or Consultant who holds an outstanding Option.

(x) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(z) "Senior Manager" means an Employee who is an executive officer, vice president, director-level employee or senior analyst of the Company, or such other Employee as the Administrator shall deem eligible to participate in the Plan.

(aa) "Share" means a share of Common Stock, as adjusted in accordance with Section 12 of the Plan.

(ab) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 1,640,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if unvested Shares are repurchased by the Company at their original purchase price, and the original purchaser of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future grant under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

4. Administration of the Plan.

(a) Procedure.

- (i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to

Directors, Officers who are not Directors, and Senior Managers who are neither Directors nor Officers.

- (ii) Administration With Respect to Directors and Officers Subject to Section 16(b). With respect to Option grants made to Senior Managers who are also Officers or Directors subject to Section 16(b) of the Exchange Act, the Plan shall be administered by (A) the Board, if the Board may administer the Plan in compliance with the rules governing a plan intended to qualify as a discretionary plan under Rule 16b-3, or (B) a committee designated by the Board to administer the Plan, which committee shall be constituted to comply with the rules governing a plan intended to qualify as a discretionary plan under Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules governing a plan intended to qualify as a discretionary plan under Rule 16b-3.
- (iii) Administration With Respect to Other Persons. With respect to Option grants made to Senior Managers who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy Applicable Laws. Once appointed, such Committee shall serve in its designated capacity until otherwise directed by the Board. The Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

- (ii) to select the Senior Managers to whom Options may be granted hereunder;
- (iii) to determine whether and to what extent Options are granted hereunder;
- (iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;
- (v) to approve forms of agreement for use under the Plan;
- (vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
- (vii) to reduce the exercise price of any Option;
- (viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;
- (ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;
- (x) to modify or amend each Option (subject to Section 14(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;
- (xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;
- (xii) to institute an Option Exchange Program;
- (xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Options may be granted to Senior Managers. If otherwise eligible, a Senior Manager who has been granted an Option may be granted additional Options.

6. Limitations.

(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares subject to an Optionee's Incentive Stock Options granted by the Company, any Parent or Subsidiary, which become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options to Employees:

- (i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 500,000 shares.
- (ii) In connection with his or her initial employment, an Employee may be granted Options to purchase up to an additional 500,000 Shares which shall not count against the limit set forth in subsection (i) above.
- (iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.
- (iv) If an Option is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction describe in Section 12), the canceled Option will be

counted against the limit set forth in Section 6(c)(i). For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. Subject to Section 18 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 14 of the Plan.

8. Term of Option. The term of each Option shall be ten (10) years from the date of grant. However, in the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant. Moreover, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

- (i) In the case of an Incentive Stock Option
 - (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.
 - (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

- (i) cash;
- (ii) check;
- (iii) promissory note;
- (iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the

aggregate exercise price of the Shares as to which said Option shall be exercised;

- (v) in the case of a "cashless exercise" during the trading window permitted by the Company's Insider Trading Policy, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;
- (vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;
- (vii) any combination of the foregoing methods of payment; or
- (viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship.

- (i) Upon termination of an Optionee's Continuous Status as an Employee or Consultant with the Company, such Optionee may exercise his or her Option to the extent that he or she was entitled to exercise it as of the date of such termination. Such exercise may occur only before the end of the period determined by the Administrator for exercise following termination. In the case of an Incentive Stock Option, such period shall not exceed three (3) months. In no event shall such period extend beyond the expiration date of the term of the Option as set forth in the Option Agreement.
- (ii) An Optionee's change of status from Employee to Consultant shall not be treated as a termination of the Optionee's Continuous Status as an Employee or Consultant, and any Option held by the Optionee shall remain in effect, except as provided hereinbelow. Any Incentive Stock Option held by such Optionee shall automatically cease to be treated for tax purposes as an Incentive Stock Option and shall be treated as a Nonstatutory Stock Option on the ninety-first (91st) day following such change of status. Notwithstanding the above, within thirty (30) days after any such change of status, the Administrator may in its discretion determine that this Section 10(b)(ii) shall not apply to such change of status and that such change of status shall be treated as a termination of the Optionee's Continuous Status as an Employee or Consultant as provided in Section 10(b)(i).
- (iii) To the extent that the Optionee is not entitled to exercise his or her Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. Upon termination of an Optionee's Continuous Status as an Employee or Consultant as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), only to the extent that the Optionee was entitled to exercise it at the date of such termination. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. Upon the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, only to the extent that the Optionee was entitled to exercise the Option at the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Rule 16b-3. Options granted to individuals subject to Section 16 of the Exchange Act ("Insiders") must comply with the applicable provisions of Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

11. Transferability of Options. Unless otherwise determined by the Administrator to the contrary, Options may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. The Administrator may, in the manner established by the Administrator, provide for the transfer of a Nonstatutory Stock Option by the Optionee to any member of the Optionee's immediate family. In such case, the Nonstatutory Stock Option shall be exercisable only by such transferee. Following transfer, any such Nonstatutory Stock Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer. For purposes of this Section, an Optionee's "immediate family" shall mean any of the following who have acquired the Option from the Optionee through a gift or domestic relations order: a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of these persons and any other entity owned solely by these persons, and such other persons and entities as shall be eligible to be included as transferees in the Form S-8 Registration Statement under the Securities Act of 1933, as amended, filed or to be filed by the Company to register shares of Common Stock to be issued upon the exercise of Options granted pursuant to the Plan.

12. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each

outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option may be assumed or an equivalent option may be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator may, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option as to all or a portion of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the

successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such shareholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

15. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. Liability of Company.

(a) Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, such Option shall be void with respect to such excess Optioned Stock, unless shareholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 14(b) of the Plan.

17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

19. Tax and Social Security Indemnity. An Optionee shall indemnify the Company against any tax arising in respect of the grant or exercise of the Option which is a liability of the Optionee but for which the Company is required to account under the laws of any relevant territory. The Company may recover the tax from the Optionee in such manner as the Administrator deems appropriate, including (but without prejudice to the generality of the foregoing):

(a) withholding shares upon the exercise of the Option and selling the same;

(b) deducting the necessary amount from the Optionee's compensation;

or

(c) requiring the Optionee to make cash payment to the Company for such tax.

GARTNER GROUP, INC.

1998 LONG TERM STOCK OPTION PLAN

(As amended and restated October 12, 1999)

1. Purposes of the Plan. The purposes of this 1998 Long Term Stock Option Plan (the "Plan") are:

- o to attract and retain quality personnel for positions of substantial responsibility,
- o to create additional incentive for senior personnel of the Company by offering long term equity participation in the Company, and
- o to promote the long-term success of the Company's business.

Awards granted under the Plan may be Options or Time Accelerated Restricted Stock. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall administer the Plan in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under state corporate and securities laws and the Code.

(c) "Award" means a grant of Options and/or Time Accelerated Restricted Stock.

(d) "Board" means the Board of Directors of the Company.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(g) "Common Stock" means the Common Stock, Class A, par value \$.0005, of the Company.

(h) "Company" means Gartner Group, Inc., a Delaware corporation.

(i) "Continuous Status as an Employee " means that the employment relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Continuous employment shall be interrupted and terminated for an Employee if the Employee's weekly work hours change from full time to part time. . Part-time status for the purpose of vesting continuation or eligibility to receive Options shall be determined in accordance with policies adopted by the Company from time to time, which policies, if any, shall supercede the determination of part-time status set forth in the Company's posted "employee status definitions".

(j) "Director" means a member of the Board.

(k) "Disability" means total and permanent disability as defined in Section 22(e) (3) of the Code.

(l) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the Fair Market Value of a share of Common Stock shall be the closing sales prices for such stock (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common Stock) on the date of determination, as reported in The Wall Street Journal or such other source as the

Administrator of the Plan deems reliable;

- (ii) If the Common Stock is quoted on the NASDAQ System (but not on the Nasdaq National Market thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a

Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(o) "Holder" means an Employee who holds Shares of Time Accelerated Restricted Stock.

(p) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(q) "Insider" means an Employee subject to Section 16 of the Exchange Act.

(r) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(s) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Award. The Notice of Grant is part of the Option Agreement or Restricted Stock Agreement, as applicable.

(t) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) "Option" means an Award of a stock option pursuant to the Plan.

(v) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(w) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(x) "Optioned Stock" means the Common Stock subject to an Option.

(y) "Optionee" means an Employee who holds an outstanding Option.

(z) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(aa) "Restricted Stock Agreement" means a written agreement between the Company and a Holder evidencing the terms and conditions of an individual award of Time

Accelerated Restricted Stock. The Restricted Stock Agreement is subject to the terms and conditions of the Plan.

(bb) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(cc) "Senior Manager" means an Employee who is an executive officer, vice president, director-level employee or senior analyst of the Company, or such other Employee as the Administrator shall deem eligible to participate in the Plan.

(dd) "Share" means a share of Common Stock, as adjusted in accordance with Section 13 of the Plan.

(ee) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(ff) "Time Accelerated Restricted Stock" means an Award of Shares pursuant to the Plan which are subject to restrictions on transferability.

3. Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares which may be subject to Awards under the Plan is 2,500,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future Awards under the Plan (unless the Plan has terminated). If an Award of Shares of Time Accelerated Restricted Stock is forfeited without having vested, such Shares shall become available for future Awards under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future Awards under the Plan, except that if unvested Shares of Time Accelerated Restricted Stock are reacquired by the Company and the Holder of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future Awards under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

4. Administration of the Plan.

(a) Procedure.

- (i) Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to Directors, Officers who are not Directors, and Senior Managers who are neither Directors nor Officers.
- (ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.
- (iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.
- (iv) Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(m) of the Plan;
- (ii) to select the Senior Managers to whom Awards may be granted hereunder;
- (iii) to determine whether and to what extent Awards are granted hereunder;
- (iv) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;
- (v) to approve forms of agreement for use under the Plan;
- (vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any acceleration of vesting or waiver of forfeiture restrictions, any acceleration of

the lapse of restrictions on the transferability of Shares of Time Accelerated Restricted Stock, and any restriction or limitation regarding any Award or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

- (vii) to reduce the exercise price of any Option;
- (viii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
- (ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;
- (x) to modify or amend each Option (subject to Section 15(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;
- (xi) to modify or amend (subject to Section 15(c) of the Plan) each Restricted Stock Agreement, including the acceleration of the lapse of restrictions on the transferability of Shares of Time Accelerated Restricted Stock;
- (xii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
- (xiii) to institute an Option Exchange Program; and
- (xiv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and Holders and any other holders of Options and Shares of Time Accelerated Restricted Stock.

5. Eligibility. Awards may be granted to Senior Managers. If otherwise eligible, a Senior Manager who has been granted an Award may be granted additional Awards.

6. Limitations.

(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares subject to an Optionee's Incentive Stock Options granted by the Company, any Parent or Subsidiary, which become exercisable for the first

time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options to Employees:

- (i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 150,000 shares.
- (ii) In connection with his or her initial employment, an Employee may be granted Options to purchase up to an additional 150,000 Shares which shall not count against the limit set forth in subsection (i) above.
- (iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 13.
- (iv) If an Option is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction describe in Section 13), the canceled Option will be counted against the limit set forth in Section 6(c)(i). For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. Subject to Section 19 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 19 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 15 of the Plan.

8. Term of Option. The term of each Option shall be ten (10) years from the date of grant. However, in the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant. Moreover, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be determined by the Administrator, subject to the following:

- (i) In the case of an Incentive Stock Option:
 - (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.
 - (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (iii) Notwithstanding the foregoing, Nonstatutory Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or other corporate transaction.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

- (i) cash;
- (ii) check;
- (iii) promissory note (on such terms and conditions as determined by the Administrator);

- (iv) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;
- (v) in the case of a "cashless exercise" during the trading window permitted by the Company's Insider Trading Policy, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;
- (vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;
- (vii) any combination of the foregoing methods of payment; or
- (viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives:

(i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment Relationship.

- (i) Upon termination of an Optionee's Continuous Status as an Employee, such Optionee may exercise his or her Option to the extent that he or she was entitled to exercise it as of the date of such termination. Such exercise may occur only before the end of the period determined by the Administrator for exercise following termination. In the case of an Incentive Stock Option, such period shall not exceed three (3) months. In no event shall such period extend beyond the expiration date of the term of the Option as set forth in the Option Agreement.
- (ii) To the extent that the Optionee is not entitled to exercise his or her Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. Upon termination of an Optionee's Continuous Status as an Employee as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), only to the extent that the Optionee was entitled to exercise it at the date of such termination. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. Upon the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, only to the extent that the Optionee was entitled to exercise the Option at the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

11. Transferability of Options. Unless otherwise determined by the Administrator to the contrary, Options may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. The Administrator may, in the manner established by the Administrator, provide for the transfer of a Nonstatutory Stock Option by the Optionee to any member of the Optionee's immediate family. Following transfer, any such Nonstatutory Stock Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer. For purposes of this Section, an Optionee's "immediate family"

shall mean any of the following who have acquired the Option from the Optionee through a gift or domestic relations order: a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of these persons and any other entity owned solely by these persons, and such other persons and entities as shall be eligible to be included as transferees in the Form S-8 Registration Statement under the Securities Act of 1933, as amended, filed or to be filed by the Company to register shares of Common Stock to be issued upon the exercise of Options granted pursuant to the Plan.

12. Time Accelerated Restricted Stock.

(a) Grants of Time Accelerated Restricted Stock. Shares of Time Accelerated Restricted Stock may be granted either alone, in addition to, or in tandem with other Awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will grant Time Accelerated Restricted Stock under the Plan, it shall advise the Holder in writing of the terms, conditions and restrictions related to the Award, including the number of Shares subject to the Award. The Award shall be evidenced by execution of a Restricted Stock Agreement in the form determined by the Administrator.

(b) The Restricted Stock Agreement. The Restricted Stock Agreement shall contain such terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Agreements need not be the same with respect to each Holder.

(c) Nontransferability. Shares of Time Accelerated Restricted Stock may not be sold, assigned, transferred, alienated, commuted, anticipated, or otherwise disposed of (except, subject to the provisions of the Restricted Stock Agreement, by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of ERISA or the rules promulgated thereunder), or pledged or hypothecated as collateral for a loan or as security for the performance of any obligation, or be otherwise encumbered, and are not subject to attachment, garnishment, execution or other legal or equitable process, prior to the lapse of the period of time restrictions on the transferability of such Shares remain in effect as set forth in the Restricted Stock Agreement, and any attempt at action in contravention of this Section shall be null and void. The lapse of restrictions on the transferability of such Shares may be accelerated upon the attainment of performance criteria as set forth in the Restricted Stock Agreement.

(d) Termination of Employment Relationship.

(i) If, prior to the lapse of restrictions on transferability applicable to Shares of Time Accelerated Restricted Stock, the Holder's Continuous Status as an Employee ceases, other than as set forth in subsection (ii) below, such Shares as to which restrictions on transferability have not lapsed shall be forfeited to the Company and all rights of the Holder to such Shares shall terminate without further obligation on the part of the Company, effective on the date the Holder's Continuous Status as an Employee ceases, unless the Administrator determines otherwise.

- (ii) If, prior to the lapse of restrictions on transferability applicable to Shares of Time Accelerated Restricted Stock, the Holder's Continuous Status as an Employee ceases as a result of the Holder's death or Disability, the restrictions on the transferability of such Shares shall lapse.

(e) Rule 16b-3. Time Accelerated Restricted Stock granted to Insiders, and Shares acquired by Insiders in connection with an Award of Shares of Time Accelerated Restricted Stock, shall be subject to any restrictions applicable thereto in compliance with Rule 16b-3.

(f) Rights as a Stockholder. Once Shares of Time Accelerated Restricted Stock are granted, the Holder shall have the rights equivalent to those of a stockholder, and shall be a stockholder when the Shares are entered upon the records of the duly authorized transfer agent of the Company in the name of the Holder. Certificates representing the Shares may bear a legend, if the Company deems it advisable, to the effect that they are issued subject to specified restrictions. Shares issued and transferred to a Holder pursuant to an Award shall be deposited with an officer of the Company designated by the Administrator for the Holder's account to be held until the lapse of the restrictions upon such Shares or the earlier forfeiture of the Shares to the Company in accordance with the terms of the Restricted Stock Agreement. Each Holder shall execute and deliver to the Company stock powers enabling the Company to exercise its rights hereunder.

(g) Dividends. Dividends paid on the Shares of Time Accelerated Restricted Stock, whether in cash, stock or property, at the discretion of the Administrator, may be paid to the Holder currently or be held by the Company subject to the same restrictions on transferability as the Shares to which they relate. If such cash dividends are held subject to such restrictions on transferability, the Administrator may determine whether, and on what terms, interest may be paid on such dividends until the lapse of restrictions on transferability. If the Shares to which such dividends relate are forfeited to the Company, such dividends, including interest thereon, if any, shall likewise be forfeited to the Company without further obligation on the part of the Company.

13. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each Award, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities

convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option may be assumed or an equivalent option may be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator may, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option as to all or a portion of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

14. Date of Grant. The date of grant of an Award shall be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee and Holder within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Section 422 or Section 162(m) of the Code (or any successor rule or statute or other applicable law, rule or regulation,

including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such shareholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee or Holder, unless mutually agreed otherwise between the Optionee or Holder and the Administrator, which agreement must be in writing and signed by the Optionee or Holder and the Company.

16. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or the grant of Shares of Time Accelerated Restricted Stock unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

17. Liability of Company.

(a) Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option or the number of Shares of Time Accelerated Restricted Stock exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, such Award shall be void with respect to such excess Shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 15(b) of the Plan.

18. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. Shareholder Approval. Continuation of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted.

Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

20. Tax and Social Security Indemnity. An Optionee or Holder shall indemnify the Company against any tax arising in respect of the grant or exercise of the Option or the grant of Shares of Time Accelerated Restricted Stock which is a liability of the Optionee or Holder but for which the Company is required to account under the laws of any relevant territory. The Company may recover the tax from the Optionee or Holder in such manner as the Administrator deems appropriate, including (but without prejudice to the generality of the foregoing):

(a) withholding shares upon the exercise of the Option and selling the same;

(b) deducting the necessary amount from the Optionee's or Holder's compensation; or

(c) requiring the Optionee or Holder to make cash payment to the Company for such tax.

21. Options Granted to Employees of French Subsidiaries.

(a) Purpose. Options granted under the Plan to Employees of French subsidiaries are intended to qualify under the French regulations as provided in articles 208-1 to 208-8-2 of the French Company Act (Code des Societes). The purpose of this Section is to specify the applicable rules to Options for French Employees and shall not be applicable to any other Employee of the Company.

(b) General. Options granted to French Employees under the Plan are subject to the provisions of the Plan and any option agreement unless otherwise provided in this Section 21.

(c) Eligible Participants. Options may be granted exclusively to Employees (as defined in Section 2(1) of the Plan) of French subsidiaries. Payment of Director fees by the Company shall not be sufficient to constitute employment for any purposes of the Options granted to Employees of French subsidiaries. Employees of French subsidiaries may not be granted Options if, at the date of grant, they hold more than ten percent (10%) of the Common Stock of the Company.

(d) Options. Eligible Employees may be granted Options as provided in the Plan. If Shares of Time Accelerated Restricted Stock mentioned in Section 12 of the Plan are granted to Employees of French subsidiaries, the provisions of this Section shall not apply to the Shares of Time Accelerated Restricted Stock granted.

(e) Option Price. The exercise price of the Option shall be determined as set forth in the Plan but it shall not be less than 80% of the average Fair Market Value of the Common Stock during the twenty (20) market trading days prior to the date of the grant. The exercise price shall remain unchanged once the Option is granted. The authority of Administrator to reduce the Option exercise price, as set forth in Section 8(b)(x) of the Plan, shall, with respect to Options granted to Employees of French subsidiaries, be limited to the extent that such reduction may not be to a price

less than 80% of the average Fair Market Value of the Common Stock during the twenty (20) market trading days prior to the date of such reduction.

(f) Exercise of the Option. Upon exercise of an Option, Employees of French subsidiaries will receive Shares of Common Stock. Section 4(b)(vii) of the Plan, concerning the ability to settle the Option in cash instead of Shares of Common Stock, is not applicable to Employees of French subsidiaries.

(g) Qualification of Plan. In order to have the Plan qualify in France, any other provision of the Plan that would not be consistent with French company law or tax law requirements shall not apply to Employees of French subsidiaries.

GARTNER GROUP, INC.

1996 LONG TERM STOCK OPTION PLAN

As amended and restated October 12, 1999

1. Purposes of the Plan. The purposes of this 1996 Long Term Stock Option Plan (the "Plan") are:

- o to attract and retain quality personnel for positions of substantial responsibility,
- o to create additional incentive for senior personnel of the Company by offering long term equity participation in the Company, and
- o to promote the long-term success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall administer the Plan in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under state corporate and securities laws and the Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(f) "Common Stock" means the Common Stock, Class A of the Company.

(g) "Company" means Gartner Group, Inc., a Delaware corporation.

(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services. The term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Continuous employment shall be interrupted and terminated for an Employee if the Employee's weekly work hours change from full time to part time. Part-time status for the purpose of vesting continuation or eligibility to receive Options shall be determined in accordance with policies adopted by the Company from time to time, which policies, if any, shall supercede the determination of part-time status set forth in the Company's posted "employee status definitions".

(j) "Director" means a member of the Board.

(k) "Disability" means total and permanent disability as defined in Section 22(e) (3) of the Code.

(l) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the Fair Market Value of a share of Common Stock shall be the closing sales prices for such stock (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common

Stock) on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator of the Plan deems reliable;

- (ii) If the Common Stock is quoted on the NASDAQ System (but not on the Nasdaq National Market thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and

low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is part of the Option Agreement.

(r) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) "Option" means a stock option granted pursuant to the Plan.

(t) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(u) "Option Exchange Program" means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(v) "Optioned Stock" means the Common Stock subject to an Option.

(w) "Optionee" means an Employee or Consultant who holds an outstanding Option.

(x) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(z) "Senior Manager" means an Employee who is an executive officer, vice president, director-level employee or senior analyst of the Company, or such other Employee as the Administrator shall deem eligible to participate in the Plan.

(aa) "Share" means a share of Common Stock, as adjusted in accordance with Section 12 of the Plan.

(bb) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 1,800,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if unvested Shares are repurchased by the Company at their original purchase price, and the original purchaser of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future grant under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

4. Administration of the Plan.

(a) Procedure.

- (i) Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to Directors, Officers who are not Directors, and Senior Managers who are neither Directors nor Officers.
- (ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.
- (iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.
- (iv) Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

- (ii) to select the Senior Managers to whom Options may be granted hereunder;
- (iii) to determine whether and to what extent Options are granted hereunder;
- (iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;
- (v) to approve forms of agreement for use under the Plan;
- (vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
- (vii) to reduce the exercise price of any Option;
- (viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;
- (ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;
- (x) to modify or amend each Option (subject to Section 14(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;
- (xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;
- (xii) to institute an Option Exchange Program;
- (xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Options may be granted to Senior Managers. If otherwise eligible, a Senior Manager who has been granted an Option may be granted additional Options.

6. Limitations.

(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares subject to an Optionee's Incentive Stock Options granted by the Company, any Parent or Subsidiary, which become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options to Employees:

- (i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 500,000 shares.
- (ii) In connection with his or her initial employment, an Employee may be granted Options to purchase up to an additional 500,000 Shares which shall not count against the limit set forth in subsection (i) above.
- (iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.
- (iv) If an Option is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction describe in Section 12), the canceled Option will be counted against the limit set forth in Section 6(c)(i). For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. Subject to Section 18 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 14 of the Plan.

8. Term of Option. The term of each Option shall be ten (10) years from the date of grant. However, in the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant. Moreover, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is

granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

- (i) In the case of an Incentive Stock Option
 - (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.
 - (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or other corporate transaction.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

- (i) cash;

- (ii) check;
- (iii) promissory note (on such terms and conditions as determined by the Administrator);
- (iv) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;
- (v) in the case of a "cashless exercise" during the trading window permitted by the Company's Insider Trading Policy, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;
- (vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;
- (vii) any combination of the foregoing methods of payment; or
- (viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives:

(i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship.

- (i) Upon termination of an Optionee's Continuous Status as an Employee or Consultant with the Company, such Optionee may exercise his or her Option to the extent that he or she was entitled to exercise it as of the date of such termination. Such exercise may occur only before the end of the period determined by the Administrator for exercise following termination. In the case of an Incentive Stock Option, such period shall not exceed three (3) months. In no event shall such period extend beyond the expiration date of the term of the Option as set forth in the Option Agreement.
- (ii) An Optionee's change of status from Employee to Consultant shall not be treated as a termination of the Optionee's Continuous Status as an Employee or Consultant, and any Option held by the Optionee shall remain in effect, except as provided hereinbelow. Any Incentive Stock Option held by such Optionee shall automatically cease to be treated for tax purposes as an Incentive Stock Option and shall be treated as a Nonstatutory Stock Option on the ninety-first (91st) day following such change of status. Notwithstanding the above, within thirty (30) days after any such change of status, the Administrator may in its discretion determine that this Section 10(b)(ii) shall not apply to such change of status and that such change of status shall be treated as a termination of the Optionee's Continuous Status as an Employee or Consultant as provided in Section 10(b)(i).
- (iii) To the extent that the Optionee is not entitled to exercise his or her Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. Upon termination of an Optionee's Continuous Status as an Employee or Consultant as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), only to the extent that the Optionee was entitled to exercise it at the date of such termination. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. Upon the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, only to the extent that the Optionee was entitled to exercise the Option at the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

11. Transferability of Options. Unless otherwise determined by the Administrator to the contrary, Options may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. The Administrator may, in the manner established by the Administrator, provide for the transfer of a Nonstatutory Stock Option by the Optionee to any member of the Optionee's immediate family. In such case, the Nonstatutory Stock Option shall be exercisable only by such transferee. Following transfer, any such Nonstatutory Stock Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer. For purposes of this Section, an Optionee's "immediate family" shall mean any of the following who have acquired the Option from the Optionee through a gift or domestic relations order: a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of these persons and any other entity owned solely by these persons, and such other persons and entities as shall be eligible to be included as transferees in the Form S-8 Registration Statement under the Securities Act of 1933, as amended, filed or to be filed by the Company to register shares of Common Stock to be issued upon the exercise of Options granted pursuant to the Plan.

12. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities

convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option may be assumed or an equivalent option may be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator may, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option as to all or a portion of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of

any exchange or quotation system on which the Common Stock is listed or quoted). Such shareholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

15. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. Liability of Company.

(a) Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, such Option shall be void with respect to such excess Optioned Stock, unless shareholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 14(b) of the Plan.

17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted.

Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

19. Tax and Social Security Indemnity. An Optionee shall indemnify the Company against any tax arising in respect of the grant or exercise of the Option which is a liability of the Optionee but for which the Company is required to account under the laws of any relevant territory. The Company may recover the tax from the Optionee in such manner as the Administrator deems appropriate, including (but without prejudice to the generality of the foregoing):

(a) withholding shares upon the exercise of the Option and selling the same;

(b) deducting the necessary amount from the Optionee's compensation;

or

(c) requiring the Optionee to make cash payment to the Company for such tax.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of February 8, 1999, between Regina Paolillo, an individual ("Executive") and Gartner Group, Inc., a Delaware corporation (the "Company").

Recitals

A. Executive currently serves as the Executive Vice President, General Manager IT Management Group, of the Company.

B. 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 in this Agreement.

Agreement

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

1. **Employment.** The Company shall employ Executive in the position of Executive Vice President, General Manager IT Management Group, as such position has been defined in terms of responsibilities and compensation as of the effective date of this Agreement; provided, however, that the Board of Directors of the Company (the "Board") shall have the right, at any time or from time to time, to revise such responsibilities and compensation as the Board in its discretion may deem necessary or appropriate. Executive shall comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during her employment. During the term of Executive's employment with the Company, Executive shall continue to devote her full time, skill and attention to her duties and responsibilities, and shall perform them faithfully, diligently and competently, and Executive shall use her best efforts to further the business of the Company and its affiliated entities.

2. **Term.** The employment of Executive pursuant to this Agreement shall continue through October 1, 1999, provided that such term (the "Employment Term") shall automatically renew at the end of the initial term and each subsequent term thereafter for a one (1) year period, unless Executive or the Company shall elect to terminate the Agreement by written notice to the other party not less than sixty (60) days prior to the end of the respective term.

3. **Salary.** As compensation for the services rendered by Executive under this Agreement, the Company shall pay to Executive a base salary ("Base Salary") initially equal to \$250,000 per year, payable to Executive on a bi-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 periodic adjustments by the Board or the Compensation Committee of the Board, in the sole discretion of the Board or such Committee.

4. **Bonus.** In addition to her 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, 1999 has been set at \$125,000.

5. **Executive Benefits.**

A. **Employee and Executive Benefits.** Executive will be entitled to receive all benefits provided to 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, 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.

B. **Vacation, Sick Leave and Holidays.** Executive shall be entitled to vacation, sick leave and vacation in accordance with the policies of the Company and its subsidiaries as they exist from time to time. Executive understands that under the current policy she will receive four (4) weeks vacation per calendar year. Vacation which is not used during any calendar year will not roll over to the following year.

6. **Employment Relationship.** The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. 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 her sole discretion, upon fourteen (14) days' prior written notice of termination. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination.

7. **Severance Benefits.**

A. **Change in Control.** If during the term of this Agreement the Company shall be subject to a Change in Control (as defined below), then Executive shall be entitled to receive the following: (A) Base Salary and vacation accrued through the Termination Date, (B) an amount equal to two (2) years of Executive's Base Salary then in effect, payable immediately upon the Change in Control, (C) an amount equal to two (2) 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,

(D) 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 options and other exercisable rights held by Executive shall remain exercisable for ninety (90) days following any termination of Executive's employment (or such longer period as may be provided in the applicable stock option plan or agreement)), (E) forgiveness by the Company of all outstanding principal and interest due to the Company under indebtedness incurred by Executive to purchase shares of capital stock of the Company, (F)

continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or continuation of substantially similar benefits through a third party carrier, at the Company's election) for a period of not less than 18 months (or such longer period as may be required by COBRA), provided that Executive makes the necessary conversion, with the cost of such coverage to be paid by the Company for 18 months and by Executive for any period beyond 18 months, (G) in the event of termination of Executive's employment within 12 months following the Change in Control, outplacement support at the Company's expense up to \$15,000 and (H) no other compensation, severance or other benefits. Notwithstanding the foregoing, however, Executive shall be obligated to repay to the Company any amounts previously received pursuant to clauses (B) and (C) hereof, to the extent the same correspond to any period following the Termination Date during which Executive violates the noncompetition agreement set forth in Section 13. Upon a Change in Control, Executive may elect, in her sole discretion, (i) not to receive all or any portion of any cash payment provided herein, or to defer all or any portion of any such payment to one or more payment tranches over a period of up to 3 years, (ii) not to have all or any portion of indebtedness forgiven or to defer such forgiveness or any portion thereof to one or more forgiveness tranches over a period of up to 3 years, and/or (iii) not to have all or any portion of vesting restrictions lapse, in each such case in order to avoid or limit any "parachute payment" under Section 280G(b) (2) of the Internal Revenue Code of 1986, as amended.

B. Involuntary Termination. If during the term of this Agreement 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: (A) Base Salary and vacation accrued through the Termination Date plus continued Base Salary for a period of twelve (12) months following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (B) any bonus payment previously fixed and declared by the Board or its Compensation Committee on behalf of Executive and not previously paid to Executive, (C) the right to exercise all outstanding stock options held by Executive for ninety (90) 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, (D) continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or continuation of substantially similar benefits, through a third party carrier, at the Company's election), for a period of not less than 18 months (or such longer period as may be required by COBRA), provided that Executive makes the necessary conversion, with the cost of such benefits to be paid by the Company for 18 months and by Executive for any period beyond 18 months, and (E) no other compensation, severance or other benefits. Notwithstanding the foregoing, however, if Executive violates the non-competition agreement set forth in Section 13 during the three (3) year period following the Termination Date, the Company shall not be required to continue to pay the salary or bonus specified in clause (A) hereof for any period following the Termination Date, and in such event Executive shall be obligated to repay to the Company any amounts previously received pursuant to clause (A) hereof, to the extent the same relate to any period following the Termination Date.

C. Termination for Death or Disability. If during the term of this Agreement Executive's employment shall be terminated by reason of death or Executive shall become unable to perform her 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: (A) Base Salary and vacation accrued through the Termination Date only, (B) any bonus payment previously fixed and declared by the Board or its Compensation Committee on behalf of Executive and not previously paid to Executive, (C) continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or continuation of substantially similar benefits, through a third party carrier, at the Company's election), for a period of not less than 18 months (or such longer period as may be required by COBRA), provided that Executive makes the necessary conversion, with the cost of such benefits to be paid by the Company for 18 months and by Executive for any period beyond 18 months, (D) the right to exercise all outstanding stock options held by Executive for ninety (90) 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, (E) such other benefits upon death or Disability, as the case may be, as may then be established under the Company's then-existing severance and benefit plans and policies at the time of such Disability or death, and (F) no other compensation, severance or other benefits.

D. Voluntary Termination or Termination for Business Reasons. If (i) Executive voluntarily terminates her employment or (ii) Executive is terminated involuntarily for Business Reasons, then in any such event Executive or her representatives shall be entitled to receive the following: (A) Base Salary and accrued vacation through the Termination Date only, (B) the right to exercise all outstanding 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, (C) 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 continuation of substantially similar benefits through a third party carrier, at the Company's election), 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 that Executive makes the appropriate conversion and payments, and (D) no further severance, benefits or other compensation.

E. 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 (A), (B), (C), or (D) of this Section 7, whichever shall be applicable.

8. Limitation on Payments.

A. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) but for this Section 8 would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's severance benefits under Section 7 shall be payable either (i) in full, or (ii) as to such lesser amount which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits under this Agreement, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

B. If a reduction in the payments and benefits that would otherwise be paid or provided to Executive under the terms of this Agreement is necessary to comply with the provisions of Section 8(A), Executive shall be entitled to select which payments or benefits will be reduced and the manner and method of any such reduction of such payments or benefits (including but not limited to the number of options that would accelerate as to vesting under Section 7), subject to reasonable limitations (including, for example, express provisions under the Company's benefit plans) (so long as the requirements of Section 8(A) are met). Within thirty (30) days after the amount of any required reduction in payments and benefits is finally determined in accordance with the provisions of Section 8(C), Executive shall notify the Company in writing regarding which payments or benefits are to be reduced. If no notification is given by Executive, the Company will determine which amounts to reduce. If, as a result of any reduction required by Section 8(A), amounts previously paid to Executive exceed the amount to which Executive is entitled, Executive will promptly return the excess amount to the Company.

C. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 8 shall be made in writing by the Company's independent public accountants (the "Accountants"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 8, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 8.

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

A. Business Reasons. "Business Reasons" shall mean (i) any act of personal dishonesty taken by Executive in connection with her responsibilities as an employee and intended to result in substantial personal enrichment of Executive, (ii) commission of a felony or

other offense which involves moral turpitude or is otherwise injurious to the Company, (iii) a willful act by Executive which constitutes gross misconduct and which is injurious to the Company, (iv) material breach of this Agreement by Executive, including (A) any material breach of the provisions of Section 10, 11, or 12 or 13 hereof, or (B) continued violation by Executive of Executive's obligations under Section 1 of this Agreement that are demonstrably willful and deliberate on Executive's part after there has been delivered to Executive a written demand for performance from the Company which describes the basis for the Company's belief that Executive has not substantially performed her duties.

B. Disability. "Disability" shall mean that Executive has been unable to perform her duties as an employee as the result of Executive's 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). In the event that Executive resumes the performance of substantially all of her duties hereunder before the termination of her 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 9(B); (iii) if this Agreement is terminated by the Company, the termination date specified in the notice of termination given by the Company to Executive; (iv) if the Agreement is terminated by Executive, the termination date specified in the notice of termination given by Executive to the Company; or (v) if this Agreement expires by its terms, then the last day of the term of this Agreement.

C. Constructive Termination. A "Constructive Termination" shall be deemed to occur if (A) without the consent of Executive, (i) there is a significant reduction in Executive's duties, authorities and responsibilities, (ii) Executive is required to relocate her place of employment, other than a relocation within 50 miles of Executive's current business location or to Fort Myers, Florida, or (iii) there is a reduction of more than 20% of 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) and (B) within the thirty (30) day period immediately following such material adverse change or reduction Executive elects to terminate her employment voluntarily.

E. Change in Control. A "Change in Control" shall be deemed to have occurred if:

1. 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 (A) the Company, (B) IMS Health, Inc., a Delaware corporation, or any wholly-owned subsidiary of IMS Health, Inc. (collectively, "IMS"), until IMS shall cease to be the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 15% of the combined voting power of the Company's then-outstanding securities, (C) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or IMS, or (D) 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 20% or more of the combined voting power of the Company's then-outstanding securities; provided that, in the case of any Person which (i) has filed and has in effect a report of beneficial ownership on Schedule 13-G in which such Person is reported as a "passive" investor for the purpose of such Schedule 13-G, for so long as such person continues to be a passive investor thereunder in the Company, (ii) is the Beneficial Owner of less than 15% of the combined voting power of the outstanding securities of the Company immediately prior to the Proposed Recapitalization (defined below) and immediately prior to the Proposal Spinoff (defined below), (iii) is the Beneficial Owner of less than 15% of the combined voting power of the outstanding securities of IMS Health, Inc. immediately prior to the Proposed Recapitalization and immediately prior to the Proposed Spinoff, and (iv) acquires more than 15% but less than 20% of the combined voting power of the Company's then-outstanding securities solely by virtue of the Proposed Recapitalization and Proposed Spinoff, then a Change in Control shall not be deemed to occur so long as (i) such Person remains a passive investor in the Company under Schedule 13-G and (ii) such Person beneficially owns shares in the Company representing no more than the combined voting power of the outstanding securities of the Company beneficially owned by such Person immediately following the Proposed Spinoff plus five percent (5%);

2. 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 (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections (2)(a)(i), (iii) or (iv) hereof, (B) 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 (C) 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;

3. 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;

4. 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

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

A transfer of shares of stock of the Company from IMS to an affiliated company, subsidiary or spin-off entity of IMS, or the reduction in ownership of capital stock of the Company by IMS by means of a spin-off of such shares to IMS stockholders or sales of shares into the public market, shall not alone be deemed to meet the requirements of clause (8) (e) (i) hereof.

For the purposes hereof, the "Proposed Recapitalization" refers to the proposed recapitalization by the Company of its outstanding equity securities in which a new class of Class B Common Stock having special voting rights will be created and issued to IMS in exchange for the shares of Class A Common Stock of the Company held by IMS, and the "Proposed Spinoff" refers to the proposed spinoff by IMS to its shareholders on a tax-free basis of a significant portion of the shares of Company Common Stock owned by IMS.

10. 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 her association with the Company and subsidiaries and her performance under this Agreement are the property of the Company and its subsidiaries. Executive agrees that she 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. Executive agrees to deliver to the Company at the end of the Employment period, 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 her 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 Period; (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.

11. 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.

12. No Conflicts.

A. Executive agrees that in her individual capacity she 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 she will not, except with the express written consent of the Board of Directors of the Company, become engaged in, render services for, or permit her name to be used in connection with, any 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.

13. Non-Competition Agreement.

A. Executive acknowledges that her services are of a special, unique and extraordinary value to the Company and that she 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, 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) induce or attempt to induce any employee of the Company or any subsidiary 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 Employment Period, or (iii) 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 13 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.

14. 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 her at the home address which she 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.

1. 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.

2. 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.

D. No Other Assignment of Benefits. Except as provided in this Section 14(D), 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.

E. 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.

F. Entire Agreement. Employee acknowledges and reaffirms her obligations contained in (i) the Company's standard form of Agreement Regarding Certain Conditions of Employment, which was previously executed by Employee (or, if Employee has not previously executed such agreement, by which Employee hereby agrees to be bound in consideration for the mutual agreements herein), and (ii) Notices of Stock Options, if any, which were previously executed by Employee, which documents include, without limitation, obligations regarding confidential information, non-competition and non-solicitation. If there is any conflict between the terms of this Agreement, and the Agreement Regarding Certain Conditions of Employment, and the Notices of Stock Options, the terms of the more restrictive provisions shall control. This Agreement, the Agreement Regarding Certain Conditions of Employment and the Notices of Stock Options collectively contain the entire understanding of the parties with respect to the subject matter hereof and supersede any prior understandings or agreements between the parties with respect to such subject matter.

G. 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.

H. Governing Law; Arbitration. This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut as they apply to contracts entered into and wholly to be performed within such state by residents of such state. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Stamford, Connecticut, 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 by the parties, and in the absence of any agreement or allocation or apportionment shall be awarded to the prevailing party.

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

J. 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: William Clifford
President and Chief Executive Officer

/s/ Regina Paolillo

REGINA PAOLILLO

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of February 8, 1999, between Richard E. Eldh, an individual ("Executive") and Gartner Group, Inc., a Delaware corporation (the "Company").

Recitals

A. Executive currently serves as the Executive Vice President, Worldwide Sales, of the Company.

B. 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 in this Agreement.

Agreement

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

1. Employment. The Company shall employ Executive in the position of Executive Vice President, Worldwide Sales, as such position has been defined in terms of responsibilities and compensation as of the effective date of this Agreement; provided, however, that the Board of Directors of the Company (the "Board") shall have the right, at any time or from time to time, to revise such responsibilities and compensation as the Board in its discretion may deem necessary or appropriate. Executive shall comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during his employment. During the term of Executive's employment with the Company, Executive shall continue to devote his full time, skill and attention to his duties and responsibilities, and shall perform them faithfully, diligently and competently, and Executive shall use his best efforts to further the business of the Company and its affiliated entities.

2. Term. The employment of Executive pursuant to this Agreement shall continue through October 1, 1999, provided that such term (the "Employment Term") shall automatically renew at the end of the initial term and each subsequent term thereafter for a one (1) year period, unless Executive or the Company shall elect to terminate the Agreement by written notice to the other party not less than sixty (60) days prior to the end of the respective term.

3. Salary. As compensation for the services rendered by Executive under this Agreement, the Company shall pay to Executive a base salary ("Base Salary") initially equal to \$250,000 per year, 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 periodic adjustments by the Board or the Compensation Committee of the Board, in the sole discretion of the Board or such Committee.

4. 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, 1999 has been set at \$150,000.

5. Executive Benefits.

A. Employee and Executive Benefits. Executive will be entitled to receive all benefits provided to 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, 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.

B. Vacation, Sick Leave and Holidays. Executive shall be entitled to vacation, sick leave and vacation in accordance with the policies of the Company and its subsidiaries as they exist from time to time. Executive understands that under the current policy he will receive four (4) weeks vacation per calendar year. Vacation which is not used during any calendar year will not roll over to the following year.

6. Employment Relationship. The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. 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 fourteen (14) days' prior written notice of termination. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination.

7. Severance Benefits.

A. Change in Control. If during the term of this Agreement the Company shall be subject to a Change in Control (as defined below), then Executive shall be entitled to receive the following: (A) Base Salary and vacation accrued through the Termination Date, (B) an amount equal to two (2) years of Executive's Base Salary then in effect, payable immediately upon the Change in Control, (C) an amount equal to two (2) 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,

(D) 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 options and other exercisable rights held by Executive shall remain exercisable for ninety (90) days following any termination of Executive's employment (or such longer period as may be provided in the applicable stock option plan or agreement)), (E) forgiveness by the Company of all outstanding principal and interest due to the Company under indebtedness incurred by Executive to purchase shares of capital stock of the Company, (F)

continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or continuation of substantially similar benefits through a third party carrier, at the Company's election) for a period of not less than 18 months (or such longer period as may be required by COBRA), provided that Executive makes the necessary conversion, with the cost of such coverage to be paid by the Company for 18 months and by Executive for any period beyond 18 months, (G) in the event of termination of Executive's employment within 12 months following the Change in Control, outplacement support at the Company's expense up to \$15,000 and (H) no other compensation, severance or other benefits. Notwithstanding the foregoing, however, Executive shall be obligated to repay to the Company any amounts previously received pursuant to clauses (B) and (C) hereof, to the extent the same correspond to any period following the Termination Date during which Executive violates the noncompetition agreement set forth in Section 13. Upon a Change in Control, Executive may elect, in his sole discretion, (i) not to receive all or any portion of any cash payment provided herein, or to defer all or any portion of any such payment to one or more payment tranches over a period of up to 3 years, (ii) not to have all or any portion of indebtedness forgiven or to defer such forgiveness or any portion thereof to one or more forgiveness tranches over a period of up to 3 years, and/or (iii) not to have all or any portion of vesting restrictions lapse, in each such case in order to avoid or limit any "parachute payment" under Section 280G(b) (2) of the Internal Revenue Code of 1986, as amended.

B. Involuntary Termination. If during the term of this Agreement 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: (A) Base Salary and vacation accrued through the Termination Date plus continued Base Salary for a period of twelve (12) months following the Termination Date, payable in accordance with the Company's regular payroll schedule as in effect from time to time, (B) any bonus payment previously fixed and declared by the Board or its Compensation Committee on behalf of Executive and not previously paid to Executive, (C) the right to exercise all outstanding stock options held by Executive for ninety (90) 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, (D) continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or continuation of substantially similar benefits, through a third party carrier, at the Company's election), for a period of not less than 18 months (or such longer period as may be required by COBRA), provided that Executive makes the necessary conversion, with the cost of such benefits to be paid by the Company for 18 months and by Executive for any period beyond 18 months, and (E) no other compensation, severance or other benefits. Notwithstanding the foregoing, however, if Executive violates the non-competition agreement set forth in Section 13 during the three (3) year period following the Termination Date, the Company shall not be required to continue to pay the salary or bonus specified in clause (A) hereof for any period following the Termination Date, and in such event Executive shall be obligated to repay to the Company any amounts previously received pursuant to clause (A) hereof, to the extent the same relate to any period following the Termination Date.

C. Termination for Death or Disability. If during the term of this Agreement Executive's employment shall be terminated by reason of death or 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: (A) Base Salary and vacation accrued through the Termination Date only, (B) any bonus payment previously fixed and declared by the Board or its Compensation Committee on behalf of Executive and not previously paid to Executive, (C) continuation of group health benefits pursuant to the Company's standard programs as in effect from time to time (or continuation of substantially similar benefits, through a third party carrier, at the Company's election), for a period of not less than 18 months (or such longer period as may be required by COBRA), provided that Executive makes the necessary conversion, with the cost of such benefits to be paid by the Company for 18 months and by Executive for any period beyond 18 months, (D) the right to exercise all outstanding stock options held by Executive for ninety (90) 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, (E) such other benefits upon death or Disability, as the case may be, as may then be established under the Company's then-existing severance and benefit plans and policies at the time of such Disability or death, and (F) no other compensation, severance or other benefits.

D. Voluntary Termination or Termination for Business Reasons. If (i) Executive voluntarily terminates his employment or (ii) Executive is terminated involuntarily for Business Reasons, then in any such event Executive or his representatives shall be entitled to receive the following: (A) Base Salary and accrued vacation through the Termination Date only, (B) the right to exercise all outstanding 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, (C) 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 continuation of substantially similar benefits through a third party carrier, at the Company's election), 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 that Executive makes the appropriate conversion and payments, and (D) no further severance, benefits or other compensation.

E. 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 (A), (B), (C), or (D) of this Section 7, whichever shall be applicable.

8. Limitation on Payments.

A. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) but for this Section 8 would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's severance benefits under Section 7 shall be payable either (i) in full, or (ii) as to such lesser amount which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits under this Agreement, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

B. If a reduction in the payments and benefits that would otherwise be paid or provided to Executive under the terms of this Agreement is necessary to comply with the provisions of Section 8(A), Executive shall be entitled to select which payments or benefits will be reduced and the manner and method of any such reduction of such payments or benefits (including but not limited to the number of options that would accelerate as to vesting under Section 7), subject to reasonable limitations (including, for example, express provisions under the Company's benefit plans) (so long as the requirements of Section 8(A) are met). Within thirty (30) days after the amount of any required reduction in payments and benefits is finally determined in accordance with the provisions of Section 8(C), Executive shall notify the Company in writing regarding which payments or benefits are to be reduced. If no notification is given by Executive, the Company will determine which amounts to reduce. If, as a result of any reduction required by Section 8(A), amounts previously paid to Executive exceed the amount to which Executive is entitled, Executive will promptly return the excess amount to the Company.

C. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 8 shall be made in writing by the Company's independent public accountants (the "Accountants"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 8, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 8.

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

A. Business Reasons. "Business Reasons" shall mean (i) any act of personal dishonesty taken by Executive in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of Executive, (ii) commission of a felony or

other offense which involves moral turpitude or is otherwise injurious to the Company, (iii) a willful act by Executive which constitutes gross misconduct and which is injurious to the Company, (iv) material breach of this Agreement by Executive, including (A) any material breach of the provisions of Section 10, 11, or 12 or 13 hereof, or (B) continued violation by Executive of Executive's obligations under Section 1 of this Agreement that are demonstrably willful and deliberate on Executive's part after there has been delivered to Executive a written demand for performance from the Company which describes the basis for the Company's belief that Executive has not substantially performed his duties.

B. Disability. "Disability" shall mean that Executive has been unable to perform his duties as an employee as the result of Executive's 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). 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 9(B); (iii) if this Agreement is terminated by the Company, the termination date specified in the notice of termination given by the Company to Executive; (iv) if the Agreement is terminated by Executive, the termination date specified in the notice of termination given by Executive to the Company; or (v) if this Agreement expires by its terms, then the last day of the term of this Agreement.

C. Constructive Termination. A "Constructive Termination" shall be deemed to occur if (A) without the consent of Executive, (i) there is a significant reduction in Executive's duties, authorities and responsibilities, (ii) Executive is required to relocate his place of employment, other than a relocation within 50 miles of Executive's current business location or to Fort Myers, Florida, or (iii) there is a reduction of more than 20% of 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) and (B) within the thirty (30) day period immediately following such material adverse change or reduction Executive elects to terminate his employment voluntarily.

E. Change in Control. A "Change in Control" shall be deemed to have occurred if:

1. 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 (A) the Company, (B) IMS Health, Inc., a Delaware corporation, or any wholly-owned subsidiary of IMS Health, Inc. (collectively, "IMS"), until IMS shall cease to be the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 15% of the combined voting power of the Company's then-outstanding securities, (C) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or IMS, or (D) 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 20% or more of the combined voting power of the Company's then-outstanding securities; provided that, in the case of any Person which (i) has filed and has in effect a report of beneficial ownership on Schedule 13-G in which such Person is reported as a "passive" investor for the purpose of such Schedule 13-G, for so long as such person continues to be a passive investor thereunder in the Company, (ii) is the Beneficial Owner of less than 15% of the combined voting power of the outstanding securities of the Company immediately prior to the Proposed Recapitalization (defined below) and immediately prior to the Proposal Spinoff (defined below), (iii) is the Beneficial Owner of less than 15% of the combined voting power of the outstanding securities of IMS Health, Inc. immediately prior to the Proposed Recapitalization and immediately prior to the Proposed Spinoff, and (iv) acquires more than 15% but less than [20%] of the combined voting power of the Company's then-outstanding securities solely by virtue of the Proposed Recapitalization and Proposed Spinoff, then a Change in Control shall not be deemed to occur so long as (i) such Person remains a passive investor in the Company under Schedule 13-G and (ii) such Person beneficially owns shares in the Company representing no more than the combined voting power of the outstanding securities of the Company beneficially owned by such Person immediately following the Proposed Spinoff plus [five percent (5%)];

2. 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 (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections (2)(a)(i), (iii) or (iv) hereof, (B) 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 (C) 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;

3. 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;

4. 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

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

A transfer of shares of stock of the Company from IMS to an affiliated company, subsidiary or spin-off entity of IMS, or the reduction in ownership of capital stock of the Company by IMS by means of a spin-off of such shares to IMS stockholders or sales of shares into the public market, shall not alone be deemed to meet the requirements of clause (8) (e) (i) hereof.

For the purposes hereof, the "Proposed Recapitalization" refers to the proposed recapitalization by the Company of its outstanding equity securities in which a new class of Class B Common Stock having special voting rights will be created and issued to IMS in exchange for the shares of Class A Common Stock of the Company held by IMS, and the "Proposed Spinoff" refers to the proposed spinoff by IMS to its shareholders on a tax-free basis of a significant portion of the shares of Company Common Stock owned by IMS.

10. 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. Executive agrees to deliver to the Company at the end of the Employment period, 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 Period; (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.

11. 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.

12. 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 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.

13. 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, 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) induce or attempt to induce any employee of the Company or any subsidiary 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 Employment Period, or (iii) 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 13 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.

14. 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.

1. 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.

2. 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.

D. No Other Assignment of Benefits. Except as provided in this Section 14(D), 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.

E. 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.

F. Entire Agreement. Employee acknowledges and reaffirms his obligations contained in (i) the Company's standard form of Agreement Regarding Certain Conditions of Employment, which was previously executed by Employee (or, if Employee has not previously executed such agreement, by which Employee hereby agrees to be bound in consideration for the mutual agreements herein), and (ii) Notices of Stock Options, if any, which were previously executed by Employee, which documents include, without limitation, obligations regarding confidential information, non-competition and non-solicitation. If there is any conflict between the terms of this Agreement, and the Agreement Regarding Certain Conditions of Employment, and the Notices of Stock Options, the terms of the more restrictive provisions shall control. This Agreement, the Agreement Regarding Certain Conditions of Employment and the Notices of Stock Options collectively contain the entire understanding of the parties with respect to the subject matter hereof and supersede any prior understandings or agreements between the parties with respect to such subject matter.

G. 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.

H. Governing Law; Arbitration. This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut as they apply to contracts entered into and wholly to be performed within such state by residents of such state. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Stamford, Connecticut, 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 by the parties, and in the absence of any agreement or allocation or apportionment shall be awarded to the prevailing party.

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

J. 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:

William Clifford
President and Chief Executive Officer

/s/ Richard E. Eldh

Richard E. Eldh

[GARTNERGROUP LOGO]

GartnerGroup helps clients achieve business success
through the intelligent and efficient use of technology.

FINANCIAL HIGHLIGHTS

(IN THOUSANDS EXCEPT PER SHARE, EMPLOYEE AND CLIENT DATA)

FISCAL YEAR ENDED SEPTEMBER 30,	1999	1998	1997	1996	1995
TOTAL REVENUES	\$734,234	\$641,957	\$511,239	\$394,672	\$295,146
ONGOING REVENUES (1)	\$734,234	\$623,881	\$489,925	\$382,453	\$293,845
NET INCOME (2)	\$107,386	\$ 98,249	\$ 73,130	\$ 50,534	\$ 30,001
DILUTED EARNINGS PER SHARE (2)	\$ 1.02	\$ 0.93	\$ 0.71	\$ 0.51	\$ 0.32
CASH PROVIDED BY OPERATIONS	\$128,819	\$ 97,795	\$ 87,157	\$ 65,689	\$ 66,966
EMPLOYEES	3,402	2,972	2,885	2,129	1,175
CLIENT ORGANIZATIONS (3)	9,692	9,144	8,124	7,241	5,500

(1) EXCLUDES GARTNERLEARNING REVENUE, A UNIT SOLD DURING FISCAL 1998.

(2) NORMALIZED TO EXCLUDE OTHER CHARGES, ONE-TIME INCOME TAX BENEFIT AND ACQUISITION AND DISPOSITION-RELATED CHARGES.

(3) EXCLUDES DATAPRO AND GARTNERLEARNING. FISCAL 1995 INFORMATION DOES NOT INCLUDE DATAQUEST.

[PHOTO OF MICHAEL D. FLEISHER]

MICHAEL D. FLEISHER CHIEF EXECUTIVE OFFICER

LETTER TO OUR SHAREHOLDERS

Although this past fiscal year was a challenging and tumultuous time for GartnerGroup, our ongoing revenues grew a solid 18 percent to \$734 million. Diluted earnings per share, excluding charges, rose 10 percent to \$1.02 per share.

These results were below Wall Street's expectations and triggered a decline in our stock price. In addition, the complex spinoff of IMS Health's equity stake in GartnerGroup, while positive for the company, was a cumbersome and difficult process.

Despite these recent disappointments and distractions, GartnerGroup today faces a huge market opportunity that it is exceptionally well positioned to exploit.

The impending explosion of business-to-business e-commerce will create unprecedented market need for the research and services GartnerGroup can offer.

o Senior business executives -- and I mean all business executives in every function, in every industry, around the globe -- have a tremendous need for advice on how to use technology to build better businesses. At the same time, information technology (IT) vendors require

advice on market and technology directions and the needs of their customers. We are the best company in the world to supply this type of advice.

- o As the early experiments with e-commerce have turned into substantive business opportunities, building robust, scalable systems that connect with core legacy systems has become an absolute imperative. Helping clients successfully meet this challenge is one of GartnerGroup's greatest strengths.

- o The pendulum has clearly swung from Web applications being built and maintained in marketing organizations to their being built, maintained and made robust by chief information officers and their teams -- the very people who constitute the vast majority of our clients.

- o The new business process of "build and adapt" has created tremendous demand for timely, thought-leading research and personalized services that will enable our clients to execute rapid go-to-market strategies.

The impending explosion of business-to-business e-commerce will create unprecedented market need for GartnerGroup's research and services.

It is clear that the market is coming to us in a powerful way.

GartnerGroup is determined to take full advantage of this opportunity by focusing on three strategic imperatives to support our future success in the marketplace.

- o Extend our world-class research capability

- o Dramatically grow our services business

- o Enhance our Internet delivery capability

In fiscal 2000, we will be making significant incremental investments over 1999 levels to drive these initiatives.

- o Provocative thought leadership through world-class research will continue to be the vital core that powers the rest of our business. To address the exploding e-business opportunity,

we will continue to build on our current team of 245 e-business experts by aggressively hiring additional analysts who possess the exceptional knowledge, insight and experience that is our standard.

o Helping our clients move from strategy to results increasingly involves more than just delivering research. We will meet this demand for higher levels of personalized, face-to-face assistance by aggressively investing in and growing our services business.

o Web technologies continue to revolutionize the delivery of content. To ensure that we take full advantage of the powerful new methods made possible by the Web, we will make significant investments in rearchitecting GartnerGroup's Web delivery capability, and will redesign our research process to deliver into a Web-based paradigm.

In 1979, GartnerGroup invented the IT advisory business. In the 20 years since our founding, we have built a remarkable company that uniquely serves 9,600 worldwide client organizations that tremendously value our services. We have an exploding market opportunity that we are well positioned to exploit. We have 3,400 passionate, dedicated and talented employees who are culturally diverse and globally situated, and who all share a common mission: to help our clients achieve business success through the intelligent and efficient use of technology.

No other company in the world can do that as well as GartnerGroup, the business technology advisor.

/s/ Michael D. Fleisher

Michael D. Fleisher
Chief Executive Officer

Face to Face

Today's IT and business executives look to GartnerGroup for customized advice delivered face-to-face, through inquiries to our analysts, through on-site engagements with our consultants, through participation in our conferences and through gartner.com.

[PHOTOS]

GartnerGroup Research A Trusted Source of Provocative, Actionable Thought
Leadership

As sources of information about IT and business have proliferated in recent years, GartnerGroup has remained the leader in the IT advisory services business for a number of compelling reasons.

Our research is rigorously pursued through a dynamic process that frames issues, forms hypotheses, challenges assumptions and draws conclusions. Findings are presented in a form that is easily digested by clients, and that has been proven to be highly accurate and actionable.

The breadth and depth of our research coverage enables our clients to remain on the cutting edge of technology issues. In 1999, for example, GartnerGroup identified the concept of zero latency, reported on the progress of Windows 2000, published the e-business Opportunity/Threat Model, identified the five phases of e-business computing and defined the worldwide e-commerce market opportunity. Our research products generated revenue of \$479 million in fiscal 1999.

[PHOTO]

Business-to-business e-commerce will grow to \$3.1 trillion in 2004.
Business-to-consumer e-commerce will grow to \$380 billion by 2003.

Our 800 expert analysts provide our clients with a comprehensive and detailed look at the entire IT landscape. We project industry and technology trends, forecast and size IT markets, evaluate and comment on IT products and vendors, share industry best practices, and translate hype into business reality. We don't just follow today's latest fads. We track virtually everything our clients want and need to know -- today and in the future -- about using IT to make their businesses more successful.

GartnerGroup has delivered research to clients via electronic media since 1993. As Web technologies evolve and improve, we will continue to upgrade our Internet delivery capability to ensure that our clients gain faster and easier access to our expertise.

Providing independent, objective advice is the core of our business. In a world increasingly populated by self-serving information, our clients highly value the simplicity of this agenda.

GartnerGroup Services Helping Clients Move From Strategy to Results

Nothing happens in business today without IT. Regardless of industry, function or geography, the intelligent use of technology is at the top of every executive's agenda.

This marriage of technology and business, the need for rapid decision-making, and the complexity of the IT/business environment, have all combined to create an explosive increase in the demand for personalized, face-to-face advice. GartnerGroup Services enables our clients to apply our vast knowledge of IT to their specific situation.

The services component of global IT spending is projected to grow to \$722 billion by 2003.

For more than six years, GartnerGroup has provided personalized, customized consulting that helps our clients to architect, evaluate and monitor IT solutions. Three components

[PHOTOS]

80 global locations.
9,600 client organiza-
tions. 3,400 employ-
ees. 1,500 CIOs. 800
sales professionals.
1,200 analysts and
consultants who aver-
age 15 years of indus-
try experience. 15,000
Symposia attendees.
150,000 client inquiries.

[PHOTO OF RICHARD E. ELDH, JR.]

RICHARD E. ELDH, JR. EXECUTIVE VICE PRESIDENT WORLDWIDE SALES, EVENTS AND
MARKETING

of our services organization -- Performance Management, Strategic Workshops and Consulting -- generated fiscal 1999 revenues of \$150 million.

GartnerGroup Services possesses a number of unique competitive advantages that enable it to thrive in this business:

- o Its 400 consultants have immediate access to constantly refreshed, up-to-the-minute research supplied by GartnerGroup analysts around the world. This enables the consultants to bring GartnerGroup's knowledge and perspective to every engagement without having to re-create it at a client's expense.
- o Since less than 15 percent of our research clients are services clients, an immediate prospect base exists of more than 8,000 enterprises.
- o In fiscal 1999, GartnerGroup Services completed more than 2,000 engagements in areas ranging from e-business strategy to measuring the effectiveness and efficiency of manufacturing operations.
- o GartnerGroup Services possesses an unmatched level of trust, independence and objectivity that is derived from long-standing client relationships and the absence of any hidden agenda.

GartnerGroup Events Clients and Analysts Face to Face

When IT professionals need in-depth, comprehensive knowledge, they attend GartnerGroup events around the globe for industry-leading insight and actionable advice on the most important developments in IT.

GartnerGroup Events, like GartnerGroup Services, is ultimately powered by the vast knowledge base developed by our research organization. Delivering conference content that is internally produced and controlled by GartnerGroup research analysts enables our events to maintain a level of quality, clarity and consistency that is unmatched in the industry. Our clients registered their strong approval of our conferences by driving dramatic growth of 54 percent in this business to a total of \$76 million in revenue in fiscal 1999.

GartnerGroup Symposium/ITxpo, our flagship event, is the premier strategic planning conference in the IT industry. Last year, 15,000 senior executives attended Symposia in four international locations. They were able to choose from scores of sessions, and received an unparalleled look into the future of IT. Symposium attendees have described the experience as equivalent to "receiving an MBA in IT."

Exhibit and sponsorship sales are also a strong growth component of GartnerGroup Events. The high quality of our attendees as prospective customers makes a compelling case for IT vendors to participate in our events. Vendor exhibit opportunities are uniquely structured to add value for our attendees, while fitting within our framework of independence and vendor neutrality.

GartnerGroup events deepen our client relationships and drive growth throughout our business.

[PHOTO]

The GartnerGroup Difference The Power of Reach

Business, ultimately, is about relationships. Whether those relationships happen face-to-face over a cup of coffee, or over a fiber-optic cable, it is the depth, durability and dynamism of a company's relationships that ultimately determine its power in the marketplace, and its future as a business.

GartnerGroup's strength stems from the enormously powerful web of relationships we have built during our 20 years in business. Our 1,200 analysts and consultants and 800 sales professionals form a critical core of knowledge and experience. The long-standing and intimate relationship between these employees and our clients creates the unique GartnerGroup difference.

In 1999, we answered more than 150,000 client inquiries. Each inquiry is an opportunity for us to grow client relationships and to foster a two-way forum that enables a sharing of information, perspective, insight and knowledge.

Our relationships with more than 1,500 chief information officers worldwide provide a powerful endorsement for GartnerGroup as an essential element of their decision-making

[PHOTO]

From our position, it is clear that the market is coming to us in a powerful way.

[PHOTOS]

process. The feedback and input we receive from these executives provide critical input into the ongoing development of our research agenda.

Web technology is providing important new ways to dramatically improve an interactive flow of information between GartnerGroup and its clients. In the coming months and years, clients will experience a significant improvement in their ability to easily access our knowledge base. Enhanced search tools and navigation will speed access to relevant research, while on-line client service support will improve access to analysts for inquiries. The Web will also enable important and revolutionary new means of interaction between GartnerGroup and its community of clients and will give clients the tools to apply our knowledge to their business objectives.

[PHOTO]

[PHOTO]

REGINA M. PAOLILLO CHIEF FINANCIAL OFFICER

INVESTING FOR GROWTH

This was a year of significant change for GartnerGroup. We took a number of important steps focused on building the future of our business. As a result, we will be a stronger, more dynamic corporation going forward.

We completed the long-planned spinoff of IMS Health's 47 percent equity stake in GartnerGroup. Approved by GartnerGroup shareholders in July, the spinoff resulted in a new capital structure, created a more diversified shareholder base, and gave the company needed flexibility. Components of the transaction included the payment of a special cash dividend, the creation of a new class of stock -- Class B Common Stock -- and the repurchase of 19.9 percent of the total outstanding shares of GartnerGroup. In August, we completed the repurchase of approximately 16 million shares via a Dutch tender offer and plan to repurchase an additional 5 million shares on the open market in fiscal 2000. To finance the dividend and repurchases, GartnerGroup obtained a \$500 million credit facility led by Chase Manhattan Bank and Credit Suisse First Boston with the participation of other financial institutions.

Our fiscal 2000 investments will support the strategic imperatives outlined in Michael Fleisher's letter and will fuel our future plans for accelerated growth. In our research unit, we will focus on retaining, attracting and recruiting the finest analysts and e-business experts in the world. We plan to add more than 200 consultants to our services organization in response to growing client demand, and will augment our sales force by expanding our product solutions unit. Finally, we will enhance our Web capabilities by developing software and tools that encourage clients to have a more interactive experience with our research, the experts behind that research and the wider community of GartnerGroup clients.

I am very excited about the opportunity to contribute to our success in the role of chief financial officer. I am confident that our employees, through their continued dedication, loyalty and support of our vision, will lead us to new heights in 2000 and beyond.

/s/ Regina M. Paolillo

Regina M. Paolillo
Chief Financial Officer

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OVERVIEW

Total revenues for the Company for 1999 were \$734.2 million, up 14% from \$642.0 million for 1998. Current year revenue growth consisted of an 11% increase in research revenue, a 35% increase in services revenue, a 54% increase in events revenue and a 3% decrease in other revenue. Ongoing revenue, which is revenue excluding GartnerLearning, increased \$110.4 million or 18% in 1999 from the prior year. During 1999, the Company changed its revenue presentation to the above mentioned categories to better align revenue recognition methodologies and reportable segments. Research encompasses products which, on an ongoing basis, highlight industry developments, review new products and technologies, provide quantitative market research, and analyze industry trends within a particular technology or market sector. The Company typically enters into annually renewable subscription-based contracts for research products. Revenue from research products is recognized as products are delivered and as the Company's obligation to the client is completed over the contract period. Services revenue, primarily derived from consulting and measurement engagements, is recognized as work is performed on a contract by contract basis. Events revenue is deferred and recognized upon the completion of the related symposium, exposition or conference.

Given the new revenue presentation, the Company has developed the following business measurements to complement its total contract value measurement. The Company believes these business measurements reflect the volume of business within each revenue category at a given point in time.

Revenue Category	Business Measurement
Research	Contract value attributable to all subscription-based research products with ratable revenue recognition. Contract value is calculated as the annualized value of the referred to product or service contracts in effect at a given point in time, without regard to the duration of such contracts outstanding at such time. Research contract value increased 10% to approximately \$560.8 million at September 30, 1999 from \$511.4 million at September 30, 1998.
Services	Services backlog represents future revenue to be derived from in-process consulting and measurement engagements. Services backlog increased 68% to approximately \$71.6 million at September 30, 1999 from \$42.7 million at September 30, 1998.
Events	Deferred revenue directly related to symposia, expositions and conferences. Deferred revenue from events increased 66% to approximately \$51.4 million at September 30, 1999 from \$31.0 million at September 30, 1998, primarily due to symposium and ITxpo events that will be held in the first quarter of fiscal 2000.

Total Company contract value, which includes subscription-based research products, measurement and certain other products, increased 15% to approximately \$684.6 million at September 30, 1999 versus the same date last year. The Company believes that total value has been a significant measure of the Company's volume of business. Historically, a substantial portion of client companies have renewed these services for an equal or higher level of total payments each year. Total deferred revenues of \$355.6 million and \$291.1 million at September 30, 1999 and 1998, respectively, as presented in the Company's Consolidated Balance Sheets, represent unamortized revenues from billed research products, services and events. Total deferred revenues do not directly correlate to contract value as of the same date since contract value represents an annualized value of all outstanding contracts without regard to the duration of such contracts, and deferred revenue represents unamortized revenue remaining on outstanding and billed contracts.

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 quarter for growth in contract value as it is the quarter in which the largest amount of contact 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 contracts are billable upon signing, absent special terms granted on a limited basis from time to time. All contracts are non-cancelable and non-refundable, except for government contracts which have a 30-day cancellation clause, but have not produced material cancellations to date. The Company's policy is to record at the time of signing of a 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. Operating income margin generally is not as high in 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 ITxpo conferences in the first fiscal quarter are higher than on conferences held later in the fiscal year.

Operating income in 1999 was \$131.0 million, net of \$30.1 million in other charges. Excluding the effect of other charges in 1999 and acquisition-related and other charges in 1998, operating income increased 7% to \$161.1 million from \$150.9 million. Operating income, excluding these charges, has increased, in large part, due to revenue growth in consulting and events.

Diluted net income per common share was \$0.84 in both 1999 and 1998. Excluding other charges and a one-time tax benefit in 1999, and the loss on the sale of GartnerLearning and other charges in 1998, diluted net income per common share increased to \$1.02 in 1999 from \$0.93 in 1998, an increase of 10%.

Lastly, during 1999 the Company undertook a recapitalization which effectively separated the Company from its significant shareholder, IMS Health Incorporated. The recapitalization resulted in the creation of a new class of common stock, the payment of a nonrecurring cash dividend of \$125.0 million, the purchase of approximately 15% of the Company's outstanding common stock under the terms of a Dutch Auction tender offer and the requirement to purchase 5,166,691 additional shares in the open market by July 2001 and the assumption of \$250.0 million of long-term debt (see Note 2--Recapitalization in the Notes to Consolidated Financial Statements).

ANALYSIS OF OPERATIONS

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

FISCAL YEAR ENDED SEPTEMBER 30,	1999	1998	1997

PERCENT OF REVENUES:			
REVENUES:			
RESEARCH	65%	68%	68%
SERVICES	21	17	17
EVENTS	10	8	7
OTHER	4	5	4
LEARNING	--	2	4

TOTAL REVENUES	100	100	100

COSTS AND EXPENSES:			
COST OF SERVICES AND			
PRODUCT DEVELOPMENT	40	39	40
SELLING, GENERAL AND			
ADMINISTRATIVE	34	34	34
ACQUISITION-RELATED CHARGE	--	1	--
OTHER CHARGES	4	0	--
DEPRECIATION	3	3	2
AMORTIZATION OF INTANGIBLES	1	1	1

TOTAL COSTS AND EXPENSES	82	78	77

OPERATING INCOME	18	22	23

INTEREST INCOME, NET	1	2	1

INCOME BEFORE INCOME TAXES	19	24	24
PROVISION FOR INCOME TAXES	7	10	10

NET INCOME	12%	14%	14%

FISCAL YEAR ENDED SEPTEMBER 30, 1999 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 1998

Total revenues increased 14% to \$734.2 million in 1999 from \$642.0 million in 1998. Revenues from research products increased 11% in 1999 to \$479.0 million compared to \$433.1 million in 1998 and comprised approximately 65% and 68% of total revenues in fiscal 1999 and 1998, respectively. Services revenue, consisting primarily of consulting and measurement engagements, increased 35%, to \$149.8 million in 1999 as compared to \$111.0 million in 1998 and comprised approximately 21% of total revenue in 1999 versus 17% in 1998. Events revenue was \$75.6 million in 1999, an increase of 54% over \$49.1 million in 1998. Other revenues, consisting principally of software licensing fees, experienced a slight decrease to \$29.8 million in 1999 from \$30.7 million in 1998. Although the rate of growth in Company revenue slowed in 1999, the increase in total revenues reflected the ability of the Company to gain client acceptance of new products and services, increase sales penetration into new and existing clients and develop incremental revenues from current and prior year acquisitions. Pricing pressures in our traditional research products from smaller competitors with lower profit margins and less robust product suites have contributed to the slowed rev-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

Revenue growth rate. Services backlog increased 68% to approximately \$71.6 million at September 30, 1999 and represents future revenues that will be recognized from in-process consulting and measurement engagements. Recent acquisitions, which include Griggs-Anderson, Inc. and The Warner Group, provide to our consulting services both an increased strategic presence and an increased capability to meet demand.

The Company has three defined geographic market areas: United States and Canada, Europe and Other International. Revenues from sales to United States and Canadian clients increased 14% to \$471.8 million in fiscal 1999 from \$415.6 million in fiscal 1998. Revenues from sales to European clients increased 22% to \$212.1 million in fiscal 1999 from \$173.8 million in fiscal 1998. Sales to Other International clients have decreased by 4% to \$50.3 million in fiscal 1999 from \$52.6 million in fiscal 1998. This decrease was caused primarily by the general unfavorable economic climate in the Asian markets. Revenue in Europe, primarily in the Research area, increased as a result of continuing investments to expand penetration of this market, off set in part by lower than expected growth in measurement revenues.

The Company's sales strategy is to continue to extend the Company's sales channels to clients with revenues ranging from \$150 million to \$2 billion, maintain its focus on large customers and to expand total sales and services to the Company's key clients. The Company continues to make investments in direct sales personnel and distributor relationships in Europe and the Other International markets and intends to pursue continued expansion of operations outside of the United States in fiscal 2000. In addition, the Company will make investments in its Web capabilities as a channel for growth and as a delivery medium for products and services.

Operating income decreased 9% to \$131.0 million in fiscal 1999 from \$143.5 million in fiscal 1998. Excluding acquisition-related and other charges, operating income in fiscal 1999 increased 7%. Excluding such charges in 1999 and 1998, the United States and Canada experienced an increase of 7% and Europe experienced a 19% growth rate. Other International markets experienced a decline of 24% primarily from a decrease in revenue. Operating income has remained favorable as a result of continuing revenue growth that has allowed the Company to develop new products and services and to gain economies of scale through the leveraging of its resources (additional revenues have been generated using essentially the same resources). However, operating contribution margin, excluding acquisition-related and other charges, decreased in fiscal 1999 to 22% from 23% in fiscal 1998. This decrease was due to, in part, higher growth in lower margin consultative services. In addition, operating contribution margin from services in 1999 declined primarily from lower margin acquisitions.

Costs and expenses, excluding acquisition-related and other charges, increased to \$573.1 million in 1999 from \$491.1 million in 1998, and increased slightly as a percentage of total revenue to 78% in 1999 from 77% in 1998. Cost of services and product development expenses were \$289.1 million and \$247.9 million for 1999 and 1998, respectively. This increase over the prior fiscal year reflects the additional support required for the growing client base, costs associated with acquired businesses and continued product development costs. The increase in cost of services and product development expenses, as a percentage of total revenues, is primarily attributable to increasing pricing pressure in research products, continuing growth in personnel costs associated with the development of new products and services and the delivery of products and services to broader markets.

Selling, general and administrative expenses increased to \$252.4 million from \$215.9 million for fiscal 1999 and 1998, respectively, due to the Company's continuing expansion of worldwide distribution channels and the resulting commissions earned on the revenue generated. Although the Company has added general and administrative resources to support the growing revenue base, selling, general and administrative expenses have remained consistent at 34% of total revenues for fiscal 1999 and 1998, respectively. Costs and expenses in fiscal 2000 will be impacted both by the remaining amounts earned by employees under the Company's retention incentive program as well as the fiscal 2000 performance-related variable compensation expense expected to be incurred.

Other charges in fiscal 1999 consisted of \$9.2 million of legal and advisory fees related to the recapitalization (see Note 2--Recapitalization in the Notes to Consolidated Financial Statements), \$14.2 million of costs, primarily severance related, incurred as part of strategic reduction in force initiatives and \$6.7 million of bonuses paid in relation to a retention incentive plan approved by the Board of Directors in response to the recapitalization and reorganization. Costs and expenses were favorably impacted in 1999 through the elimination of variable costs linked to financial performance.

Depreciation expense increased to \$21.6 million in fiscal 1999 from \$17.9 million in fiscal 1998, primarily due to capital spending required to support business growth. Additionally, amortization of intangibles increased by \$0.7 million in fiscal 1999 as compared to fiscal 1998, reflecting primarily goodwill associated with fiscal 1999 and 1998 acquisitions.

Interest income, net, decreased to \$8.3 million in fiscal 1999 from \$9.6 million for fiscal 1998. This resulted primarily from interest expense of \$1.2 million on debt facility borrowings of \$250.0 million related to the recapitalization.

Provision for income taxes decreased by 19% or \$11.8 million to \$51.0 million in 1999 from \$62.8 million in 1998. The effective tax rate was 37% and 42% for 1999 and 1998, respectively. In 1999,

the Company incurred \$8.6 million of non-deductible recapitalization costs during the year, the tax effect of which was approximately offset by a one-time income tax benefit of \$2.5 million related primarily to the settlement of certain tax examinations in the second quarter. Absent nondeductible costs, the one-time income tax benefit and additional taxes incurred in fiscal 1998 related to the sale of GartnerLearning, the effective rate was 37% for 1999 and 39% for 1998. The decrease of two percentage points was achieved primarily through the utilization of tax loss and credit carryforwards and ongoing tax planning initiatives. A more detailed analysis of the changes in the provision for income taxes is provided in Note 12 of the Notes to Consolidated Financial Statements.

FISCAL YEAR ENDED SEPTEMBER 30, 1998 VERSUS
FISCAL YEAR ENDED SEPTEMBER 30, 1997

Total revenues increased 26% to \$642.0 million in 1998 as compared to \$511.2 million in 1997. Revenues from research products increased 24% in 1998 to \$433.1 million compared to \$349.6 million in 1997 and comprised approximately 68% of total revenues in both 1998 and 1997. Services revenue increased 31% to \$111.0 million in 1998 as compared to \$84.6 million in 1997 and comprised approximately 17% of total revenues in both 1998 and 1997. Events revenue was \$49.1 million in 1998, a 43% increase over \$34.3 million in 1997. Revenue from the learning business decreased 15% in 1998 to \$18.1 compared to \$21.3 in 1997 and comprised approximately 3% of revenues in 1998 versus 4% in 1997. The increase in revenues reflects continued client acceptance of new products and services, sales penetration into new and existing clients and incremental revenue from acquisitions completed in fiscal 1998 and fiscal 1997 (primarily Computer & Communications Information Group, Inc. (dba Datapro Information Services)). The decrease in learning revenue was primarily the result of the sale of GartnerLearning in the fourth quarter of fiscal 1998. Other revenues, consisting principally of software licensing fees, increased 43% to \$30.7 million in 1998 as compared to \$21.4 million in the prior year. The increase was primarily attributable to the introduction of total cost of ownership software products related to the Company's acquisition of Interpose, Inc. during 1998.

The rate of growth in research revenues continued to be strong in the United States and Canada and in Europe. Revenues from sales to United States and Canadian clients increased 22% to \$415.6 million in 1998 from \$339.3 million in 1997. Revenues from sales to European clients increased 31% to \$173.8 million in 1998 from \$132.2 million in 1997. Sales to Other International clients, primarily in the Asian and South American markets areas, increased by 32% to \$55.2 million in 1998 from \$39.7 million in 1997.

Operating income increased 23% to \$143.5 million in 1998 compared to \$116.6 million in 1997. Excluding acquisition-related and other charges, operating income in 1998 increased 29%. The Company experienced growth in operating income in 1998 in each of the three defined geographic markets, United States and Canada, Europe and Other International of 20%, 6% and 185%, respectively. Lower growth rates in Europe reflect the contribution of lower margin acquisitions. Operating income, as a percentage of total revenues was 23% for 1998 and 1997, after excluding the above mentioned charges. The decrease in Europe was caused primarily by an increase in operating costs incurred to support operations as well as cost associated with acquisition integration. Operating income increased as a result of solid revenue growth coupled with controlled spending that allowed the Company to gain economies of scale through the leveraging of its resources (additional revenues have been generated using essentially the same resources). The Company's continued focus on margin improvement favorably impacted operating results in 1998 compared to 1997.

Costs and expenses, excluding acquisition-related and other charges, increased to \$491.1 million in 1998 from \$394.6 million in 1997 and was 77% of total revenues in both fiscal years. Cost of services and product development expenses were \$247.9 million and \$202.8 million for 1998 and 1997, respectively. This increase in expenses over the prior fiscal year reflected the need to provide additional support to the growing client base, costs associated with acquired business and continued product development costs. The decrease in cost of services and product development expenses, as a percentage of total revenues was primarily attributable to improved gross margins on conferences, lower delivery cost per dollar of revenue due to increased electronic delivery of products, as well as controlled discretionary spending and reduced variable costs linked to financial performance.

Selling, general and administrative expenses, which were \$215.9 million and \$173.6 million for fiscal 1998 and 1997, respectively, increased as a result of the Company's continuing expansion of worldwide distribution channels and resulting commissions earned on the revenue generated and the impact of acquisitions. Although the Company has added general and administrative resources to support the growing revenue base, selling, general and administrative expenses remained consistent at 34% of total revenues for fiscal 1998 and 1997, respectively.

During fiscal 1998, the Company incurred other charges that were reflected in costs and expenses. In February 1998, the Company acquired the net assets of Interpose Inc., a provider of total cost of ownership measurement and analysis tools and training. In connection with the acquisition, the Company recorded an acquisition-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

related charge of \$6.3 million for the write-off of purchased in-process research and development costs. On December 10, 1998, the Company revised the amount of expensed purchased in-process research and development costs from \$6.3 million to \$4.5 million. The change was in response to recently developed guidance from the Securities and Exchange Commission. In the second quarter of fiscal 1998, the Company recorded other charges, primarily consisting of relocation and severance costs, totaling approximately \$2.8 million related to the Company's relocation of certain accounting and order processing operations from Stamford, Connecticut to a new financial services center in Ft. Myers, Florida.

Depreciation expense increased to \$17.9 million in fiscal 1998 from \$11.8 million in fiscal 1997, primarily due to capital spending required to support business growth. Additionally, amortization of intangibles increased by \$2.9 million in fiscal 1998 as compared to fiscal 1997, reflecting primarily goodwill associated with fiscal 1998 and 1997 acquisitions.

On September 1, 1998, the Company sold GartnerLearning, a division of the Company that provided technology based training and services for information technology professionals to NETg Inc. ("NETg"), a subsidiary of Harcourt Brace & Company, for \$5.0 million in cash and an 8% equity interest in NETg. In addition, the Company received a put option which allows the Company to sell its 8% equity interest to an affiliate of Harcourt Brace & Company for \$48.0 million in cash. This put option may be exercised for two years beginning on September 1, 2002 if certain conditions are met. The Company's 8% interest in NETg has an independently appraised value of \$42.5 million and is included in other assets in the Consolidated Balance Sheets. Including related transaction costs of \$3.8 million, the pre-tax loss on sale of GartnerLearning was approximately \$2.0 million.

Interest income, net, increased to \$9.6 million in fiscal 1998, versus \$7.3 million for fiscal 1997. This improvement resulted from interest income accumulating on higher balances of cash, cash equivalents and marketable securities (\$262.3 million at September 30, 1998, versus \$188.7 million at September 30, 1997).

Provision for income taxes increased by 24% or \$12.0 million to \$62.8 million in fiscal 1998, from \$50.7 million in fiscal 1997. The effective tax rate was 42% and 41% for fiscal 1998 and 1997, respectively. As a result of the sale of GartnerLearning, additional taxes of \$4.2 million were incurred, primarily due to the reversal of non-deductible goodwill. Excluding these additional taxes, the Company's effective rate for fiscal 1998 was 39%, a decrease of two percentage points from fiscal 1997. This decrease is due primarily to on-going tax planning initiatives. A more detailed analysis of the changes in the provision for income taxes is provided in Note 12 of the Notes to Consolidated Financial Statements.

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. The Company recognizes the value and utility of the Web as a delivery channel for products and services. Failure to increase and improve the Company's Web capabilities could adversely impact future business and operating results. The Company's performance may also be affected by Year 2000 Issues as described on the following pages.

The Company has recently entered into a substantial amount of debt in connection with its recapitalization transactions (see Note 2 --Recapitalization in the Notes to Consolidated Financial Statements). The associated debt service could impair future operating results. In addition, 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 that may arise in the future involving substantial investments of additional capital. In addition, certain restrictions and limitations involving the purchase of common stock and the issuance of stock could have an impact on the management and growth of the Company.

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 spinoff by IMS Health of its equity interest in the Company. The Company also 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, we may be limited in our ability to undertake acquisitions involving the issuance of a significant amount of stock unless we can obtain a ruling from the IRS that the transaction will not give rise to such tax liabilities.

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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's continued focus on revenue and operating income increases has contributed to its ability to continue building cash and utilizing it to make strategic investments and acquisitions and to fund recapitalization-related expenditures.

Cash provided by operating activities during fiscal 1999 was \$128.8 million, compared to \$97.8 million in the prior fiscal year, reflecting primarily the impact of changes in balance sheet accounts, particularly fees receivable, deferred revenues, and accounts payable and accrued liabilities.

Cash provided by investing activities totaled \$1.1 million for fiscal 1999, compared to \$145.2 million used for investing activities in fiscal 1998. During fiscal 1999, the Company used \$57.8 million in cash for acquisitions, primarily for the purchase of The Warner Group for \$18.0 million, Griggs-Anderson, Inc. for \$10.9 million and G2R, Inc. for \$7.8 million. Additionally, the Company used \$14.0 million for investments in unconsolidated businesses. Through the net sale of marketable securities, the Company generated \$104.6 million in fiscal 1999.

Cash used for financing activities totaled \$198.7 million in fiscal 1999, compared to \$62.9 million provided by financing activities for fiscal 1998. Financing activities in fiscal 1999 were primarily related to the Company's recapitalization and included the repurchase of common stock for \$345.8 million, the one-time, nonrecurring dividend totaling \$125.0 million and \$250.0 million in proceeds from the Credit Agreement with The Chase Manhattan Bank and certain financial institutions. Cash provided by financing activities include a \$15.1 million credit to additional paid-in capital for tax benefits received from stock transactions with employees and \$18.0 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.

The effect of exchange rates reduced cash and cash equivalents by \$0.1 million for the year ended September 30, 1999, and was due to the strengthening of the U.S. dollar versus certain foreign currencies. In fiscal 1998 the effect of exchange rates reduced cash and cash equivalents by \$0.2 million. At September 30, 1999, cash and cash equivalents and marketable securities totaled \$88.9 million. The Company issues letters of credit in the ordinary course of business. The Company had outstanding letters of credit of \$1.5 million with The Chase Manhattan Bank and \$2.0 million with The Bank of New York at September 30, 1999. Except as described below regarding the stock repurchases, 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 facilities and lines of credit, will be sufficient for the expected short-term and foreseeable long-term cash needs of the Company. The Company has recently entered into a substantial amount of debt in connection with its recapitalization transactions. 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 subsequent open market purchases required as part of the recapitalization will require a significant amount of cash to fund the repurchase of common shares. The Company intends to fund the remaining commitments related to the recapitalization through borrowings under the credit agreement with The Chase Manhattan Bank and certain financial institutions, and existing cash balances and cash anticipated to be provided from operations. The credit agreement provides for credit facilities in a maximum aggregate principal amount of \$500 million, consisting of a \$350 million term loan, of which the Company has borrowed \$250 million as of September 30, 1999, and a \$150 million senior revolving credit facility. Under the Credit Agreement, the Company and its subsidiaries are subject to certain customary affirmative, negative and financial covenants.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Portions of the foregoing discussion include descriptions of the Company's expectations regarding future trends affecting its business. The forward-looking statements made in this annual report, as well as all other forward-looking statements or information provided by the Company or its employees, whether written or oral, are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and future results are subject to, and should be considered in light of risks, uncertainties and other factors which may affect future results including, but not limited to: challenges facing the Company as highlighted in the President's report, as well as uncertainties set forth under "Factors that May Affect Future Performance" such as competition, a rapidly evolving market for delivery of IT analysis and advice, regulatory requirements and uncertainties of international trade.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

COMMON STOCK INFORMATION

Since September 15, 1998 the Company's Class A Common Stock has been listed for trading on the New York Stock Exchange under the symbol "IT". Prior to September 15, 1998, it was listed on the Nasdaq National Market. The Company effected two-for-one stock splits by means of stock dividends on March 29, 1996, June 28, 1995 and August 26, 1994. All earnings per share and share data presented herein have been restated retroactively to reflect such splits. On July 20, 1999, as part of the Company's recapitalization, the Company's Class B Common Stock began trading on the New York Stock Exchange under the symbol "IT/B" and traded within a range of daily closing prices of \$16.56 to \$24.00 per share through September 30, 1999. During fiscal 1999, the Company's Class A Common Stock traded within a range of daily closing prices of \$16.00 to \$25.63 per share.

Class A Common Stock Quarterly Common Stock Prices

	FISCAL YEAR 1999		FISCAL YEAR 1998	
	HIGH	LOW	HIGH	LOW
FIRST QUARTER ENDED				
DECEMBER 31	\$24.56	\$17.88	\$37.25	\$26.75
SECOND QUARTER				
ENDED MARCH 31	\$25.63	\$20.88	\$40.81	\$33.38
THIRD QUARTER				
ENDED JUNE 30	\$24.50	\$19.00	\$35.19	\$30.44
FOURTH QUARTER				
ENDED SEPTEMBER 30	\$22.81	\$16.00	\$35.19	\$20.88

The Company, as required by the terms of the recapitalization, declared a special, nonrecurring cash dividend of \$1.1945 per share, payable to all Company stockholders of record as of July 16, 1999. The cash dividend, totaling approximately \$125.0 million, was paid on July 22, 1999. The Company currently intends to retain future earnings for use in its business and does not anticipate that any additional cash dividends will be declared or paid on the common stock in the foreseeable future.

YEAR 2000 ISSUES

The Year 2000 problem results from the fact that many technology systems have been designed using only a two-digit representation of the year portion of the date. This has 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 special case 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 problem can manifest itself before, on or after January 1, 2000. The Year 2000 problem has often been described as a computer problem, but there is a recognition that the issue extends beyond conventional computers and affects virtually every facet of a modern company's operations and interfaces with third parties.

The Company's Year 2000 efforts are organized around understanding and addressing the business-critical functions in each of the six major areas that could potentially be affected by Year 2000 issues (business-critical functions are defined as those 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):

- o Supply Chain--suppliers, clients, financial affiliates, and government agencies
- o Products & Services--goods created by the Company for its clients
- o Information Technology ("IT") Applications--in-house and vendor business computer programs
- o IT Infrastructure--computers, communications and call center systems
- o Non-IT Process Systems--systems used to create and deliver the Company's products & services
- o Non-IT Facilities Systems--systems used to monitor and control the Company's places of work and office equipment

The Company is on target to have made all essential IT and non-IT systems Year 2000 ready before their known failure dates or January 1, 2000, whichever is sooner. All products of the Company are, or are expected to be Year 2000 ready before their known failure dates or by January 1, 2000, whichever is sooner. Should any date-related problems be revealed after that point, they will be fixed by the Company at no extra charge to the client or replaced with a product of equal value. The Company has tested and certified as Year 2000 compliant the majority of its internal custom applications. Additionally, the Company expects to continue to take all prudent and reasonable steps to validate the Year 2000-readiness of its direct supply chain interfaces and has developed a contingency plan to deal with potential disruptions. The Company believes that this area does, and will continue to, represent a significant level of uncertainty and business risk at least through the first half of the year 2000.

The Company has established a separate Year 2000 account to budget and

track significant Year 2000 expenditures. All maintenance and modification costs are expensed as incurred, while the cost of new systems is being capitalized according to generally accepted accounting principles. Identified Year 2000 expenses were

\$5.2 million for fiscal 1999 with forecasted costs for fiscal 2000 of \$1.5 million. These costs have been predominantly for the budgeted replacement or upgrades of the IT and non-IT systems, but also include personnel standard unit costs. Budgeted costs are principally personnel related. The Company believes that the Year 2000 problem may result in an increased percentage of IT department budgets being directed toward Year 2000 remediation expenditures in the near term. If this occurs, changes in customer buying practices could result in either an increase or decrease in the demand for the Company's products and services and, therefore, have the potential of benefiting or adversely impacting future Company revenues and revenue patterns.

The Company has examined the business impact associated with each of the six major areas described above. The Company believes that it has limited products and services exposure due to the nature of those products and services, as well as efforts expended to date. The area of potential greatest risk is the Supply Chain. This risk is partially mitigated by the diverse and distributed characteristics of both its suppliers and customers and the fact that the Company has no material single vendor source suppliers. The Company has contacted key suppliers and customers to ascertain Year 2000 readiness. The Company has developed a "reasonably likely worst case scenario" based on exploring a wide range of possible results from Year 2000 problems (note: it is expected that there is a relatively small probability that the reasonably likely worst case scenario would actually occur). The Company believes that this scenario would be the result of a general economic downturn coupled with sporadic problems with basic infrastructure services. This scenario would probably affect the Company's revenues and could change demand for services. The Company has been identifying potential variations of this scenario and is continuing to develop business contingencies to deal with these situations. Other undiscovered issues related to the Year 2000 issue have the potential for an adverse impact on the Company's financial condition.

The Company's plans to address the Year 2000 problem have been based on management's best judgments together with the information that is available to date. Management's position is based on assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. There can be no assurance that these estimates will prove to be accurate, and actual results could differ materially from those currently anticipated.

Unanticipated failures resulting from, but not limited to: a) essential third parties, b) the Company's ability to complete the identification of all date-sensitive systems, or c) the Company's ability to complete execution of its own remediation efforts, could materially impact the Company's business and financial condition.

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.

As of September 30, 1999, 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") was issued. FAS 133 establishes a new model for accounting for derivatives and hedging activities. The Statement requires all derivatives be recognized in the statement of financial position as either assets or liabilities and measured at fair value. The Company is required to adopt FAS 133 in fiscal 2001. The Company is currently evaluating the effect, if any, that adoption of FAS 133 will have on the Company's financial position or results of operations.

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. The Company's unsecured Credit Agreement bears interest at variable rates and the fair value of this instrument is not significantly affected by changes in market interest rates. An effective increase or decrease of 10% in interest rates under the Credit Agreement would not have a material effect on the Company's results of operations. The Company is exposed to market risk from a series of forward purchase agreements on its Class A Common Stock (see Note 10 -- Stockholders' Equity, stock repurchases in the Notes to the Consolidated Financial Statements).

Amounts invested in the Company's foreign operations are translated into U.S. dollars at the exchange rates in effect at year end. The resulting translation adjustments are recorded as a cumulative translation adjustment, a component of stockholders' equity, in the Consolidated Balance Sheets.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA) SEPTEMBER 30,

1999

1998

ASSETS

CURRENT ASSETS:

CASH AND CASH EQUIVALENTS	\$ 88,894	\$157,744
MARKETABLE SECURITIES	--	60,940
FEES RECEIVABLE, NET OF ALLOWANCES OF \$4,938 IN 1999 AND \$4,125 IN 1998	282,047	239,243
DEFERRED COMMISSIONS	31,332	28,287
PREPAID EXPENSES AND OTHER CURRENT ASSETS	29,911	24,865

TOTAL CURRENT ASSETS

432,184 511,079

LONG-TERM MARKETABLE SECURITIES

-- 43,610

PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

63,592 50,801

INTANGIBLE ASSETS, NET

223,100 155,786

OTHER ASSETS

84,568 71,595

TOTAL ASSETS

\$ 803,444 \$832,871

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 95,869	\$106,400
COMMISSIONS PAYABLE	23,235	20,422
DEFERRED REVENUES	354,517	288,013

TOTAL CURRENT LIABILITIES

473,621 414,835

LONG-TERM DEBT

250,000 --

OTHER LIABILITIES

5,337 3,098

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

PREFERRED STOCK:

\$.01 PAR VALUE, AUTHORIZED 5,000,000 SHARES; NONE ISSUED OR OUTSTANDING -- --

COMMON STOCK:

\$.0005 PAR VALUE, AUTHORIZED 166,000,000 SHARES OF CLASS A COMMON STOCK AND 84,000,000 SHARES OF CLASS B COMMON STOCK; ISSUED 76,129,558 SHARES OF CLASS A COMMON STOCK (113,719,037 IN 1998) AND 40,689,648 SHARES OF CLASS B COMMON STOCK (NONE IN 1998) 58 57

ADDITIONAL PAID-IN CAPITAL

314,829 262,776

UNEARNED COMPENSATION

(8,280) --

ACCUMULATED OTHER COMPREHENSIVE INCOME

(3,830) (2,155)

ACCUMULATED EARNINGS

156,740 193,485

TREASURY STOCK, AT COST, 21,448,536 SHARES OF CLASS A COMMON STOCK

(12,540,576 IN 1998) AND 6,123,032 SHARES OF CLASS B COMMON STOCK (NONE IN 1998) (385,031) (39,225)

TOTAL STOCKHOLDERS' EQUITY

74,486 414,938

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 803,444 \$832,871

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 30,	1999	1998	1997
REVENUES:				
RESEARCH		\$479,045	\$433,141	\$349,600
SERVICES		149,840	110,955	84,631
EVENTS		75,581	49,121	34,256
OTHER		29,768	30,664	21,438
LEARNING		--	18,076	21,314
TOTAL REVENUES		734,234	641,957	511,239
COSTS AND EXPENSES:				
COST OF SERVICES AND PRODUCT DEVELOPMENT		289,053	247,913	202,815
SELLING, GENERAL AND ADMINISTRATIVE		252,423	215,928	173,610
ACQUISITION-RELATED CHARGE		--	4,494	--
OTHER CHARGES		30,130	2,819	--
DEPRECIATION		21,592	17,909	11,758
AMORTIZATION OF INTANGIBLES		10,041	9,357	6,443
TOTAL COSTS AND EXPENSES		603,239	498,420	394,626
OPERATING INCOME		130,995	143,537	116,613
LOSS ON SALE OF GARTNERLEARNING		--	(1,973)	--
INTEREST INCOME, NET		8,252	9,557	7,260
INCOME BEFORE PROVISION FOR INCOME TAXES		139,247	151,121	123,873
PROVISION FOR INCOME TAXES		50,976	62,774	50,743
NET INCOME		\$ 88,271	\$ 88,347	\$ 73,130
NET INCOME PER COMMON SHARE:				
BASIC		\$.86	\$.88	\$.77
DILUTED		\$.84	\$.84	\$.71
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC		102,226	100,194	94,742
DILUTED		104,948	105,699	102,751

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMPENSATION	--	--	--	1,660	--	--	--	1,660
BALANCE SEPTEMBER 30, 1999	\$0	\$58	\$314,829	\$(8,280)	\$(3,830)	\$156,740	\$(385,031)	\$74,486

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS) YEAR ENDED SEPTEMBER 30,	1999	1998	1997
OPERATING ACTIVITIES:			
NET INCOME	\$ 88,271	\$ 88,347	\$ 73,130
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION OF INTANGIBLES	31,633	27,266	18,201
RESTRICTED STOCK COMPENSATION	1,660	--	--
ACQUISITION-RELATED CHARGE	--	4,494	--
PROVISION FOR DOUBTFUL ACCOUNTS	5,128	4,051	3,421
EQUITY IN LOSSES OF MINORITY OWNED COMPANY	846	512	202
DEFERRED REVENUES	57,270	30,292	41,750
DEFERRED TAX EXPENSE	6,648	906	1,554
PRE-ACQUISITION TAX BENEFIT APPLIED TO REDUCE GOODWILL	327	--	275
LOSS ON SALE OF GARTNERLEARNING	--	1,973	--
CHANGES IN ASSETS AND LIABILITIES, NET OF EFFECTS OF ACQUISITIONS:			
INCREASE IN FEES RECEIVABLE	(40,628)	(39,737)	(60,378)
INCREASE IN DEFERRED COMMISSIONS	(3,186)	(5,132)	(4,262)
DECREASE (INCREASE) IN PREPAID EXPENSES AND OTHER CURRENT ASSETS	381	(10,645)	(7,915)
INCREASE IN OTHER ASSETS	(4,880)	(5,100)	(2,707)
(DECREASE) INCREASE IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	(17,306)	(2,998)	22,101
INCREASE IN COMMISSIONS PAYABLE	2,655	3,566	1,785
CASH PROVIDED BY OPERATING ACTIVITIES	128,819	97,795	87,157
INVESTING ACTIVITIES:			
PAYMENT FOR BUSINESSES ACQUIRED (EXCLUDING CASH ACQUIRED)	(57,769)	(45,418)	(33,306)
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	(13,960)	(19,814)	(9,089)
ADDITION OF PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS	(31,747)	(24,269)	(21,513)
MARKETABLE SECURITIES SOLD (PURCHASED), NET	104,550	(58,220)	(13,229)
LOANS TO OFFICERS	--	(2,475)	(7,163)
PROCEEDS FROM SALE OF GARTNERLEARNING	--	5,000	--
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,074	(145,196)	(84,300)
FINANCING ACTIVITIES:			
ISSUANCE OF COMMON STOCK AND WARRANTS	18,033	35,730	13,596
PROCEEDS FROM EMPLOYEE STOCK PURCHASE PLAN OFFERING	4,842	5,885	5,883
TAX BENEFITS OF STOCK TRANSACTIONS WITH EMPLOYEES	15,096	47,273	36,833
NET CASH SETTLEMENT ON FORWARD PURCHASE AGREEMENT	(10,900)	(12,045)	(12,004)
(PURCHASE) SALE OF TREASURY STOCK	(345,819)	(13,931)	330
PROCEEDS FROM ISSUANCE OF DEBT	250,000	--	--
PAYMENTS FOR DEBT ISSUANCE COSTS	(4,925)	--	--
DIVIDENDS PAID	(125,016)	--	--
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(198,689)	62,912	44,638
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,796)	15,511	47,495
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(54)	(182)	(1,835)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	157,744	142,415	96,755
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 88,894	\$ 157,744	\$142,415
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: CASH PAID DURING THE PERIOD FOR:			
INTEREST	\$ 976	--	--
INCOME TAXES	\$ 47,045	\$ 7,721	\$ 6,597
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
COMMON STOCK RECEIVED IN SETTLEMENT OF OFFICER LOANS AND RELATED INTEREST	--	\$ 9,985	--
EQUITY INTEREST RECEIVED IN CONNECTION WITH SALE OF GARTNERLEARNING	--	\$ 42,500	--
STOCK ISSUED IN CONNECTION WITH ACQUISITIONS	\$ 15,056	\$ 6,923	--
TREASURY STOCK TRANSACTIONS SETTLED SUBSEQUENT TO YEAR END	--	\$ 2,072	--

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation. The consolidated financial statements include the accounts of Gartner Group, Inc. (the "Company") and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The results of operations for acquisitions of companies accounted for using the purchase method have been included in the Consolidated Statements of Operations beginning on the closing date of acquisition. The Company's investments in 20% to 50% owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for on the equity method. Investments of less than 20% are carried at cost.

Revenue and commission expense recognition. Revenue from research products is deferred and recognized as products are delivered, and as the Company's obligation to the client is completed over the contract term. Services revenues, primarily derived from consulting and measurement engagements, are recognized as work is performed on a contract by contract basis. Events revenue is deferred and recognized upon the completion of the related symposium, exposition or conference. Other revenues includes software licensing fees which are recognized when delivery has occurred and when collectibility is probable, and the fees are fixed or determinable. The Company's policy is to record at the time of signing of a research and measurement contract the fees receivable and related deferred revenues for the full amount of the contract billable on that date. All research and measurement contracts are non-cancelable and non-refundable, except for government contracts, which have a 30-day cancellation clause. Government contracts have not produced material cancellations to date. All research and measurement contracts are billable upon signing, absent special terms granted on a limited basis. 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. In addition, the Company defers direct event related costs until completion of the related symposium, exposition or conference.

Cash equivalents and marketable securities. Marketable securities that mature within three months of purchase are considered cash equivalents. Investments with maturities of more than three months are classified as marketable securities. During the year ended September 30, 1999, the Company sold all investments with maturities of more than three months at approximately the amortized cost of \$43.2 million to finance a portion of the Company's recapitalization (see Note 2 --Recapitalization). At September 30, 1999, all of the Company's marketable securities mature within three months of purchase.

Property, equipment and leasehold improvements. Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the remaining term of the related leases.

Long-lived assets. The Company regularly reviews long-lived assets for impairment. Management's policy regarding long-lived assets is to evaluate the recoverability of its assets when the facts and circumstances suggest that these assets may be impaired. Should events or circumstances indicate that the carrying value may not be recoverable based on undiscounted future cash flows, an impairment loss measured by the difference between the discounted future cash flows (or another acceptable method for determining fair value) and the carrying value of the long-lived assets would be recognized by the Company. This analysis relies on a number of factors including operating results, business plans, budgets, economic projections and changes in management's strategic direction.

Software development costs. Under Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed," capitalization of computer software development costs is to begin upon the establishment of technological feasibility, limited to the net realizable value of the software product, and ceases when the software product is available for general release to clients. Until these products reach technological feasibility, all costs related to development efforts are charged to expense. Once technological feasibility has been determined, additional costs incurred in development, including coding, testing, and documentation, are capitalized. Amortization of software development costs is provided on a product-by-product basis over the estimated economic life of the software, generally two years, using the straight-line method. Amortization of capitalized computer software development costs begins when the products are available for general release to customers.

Intangible assets. Intangible assets include goodwill, non-compete agreements, tradenames and other intangibles. Goodwill represents the excess of the purchase price of acquired businesses over the esti-

mated fair value of the tangible and identifiable intangible net assets acquired. Amortization is recorded using the straight-line method over periods ranging from seven to thirty years. These amounts have been and are subject to adjustment in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109") (see Note 12--Income Taxes). Non-compete agreements are being amortized on a straight-line basis over the period of the agreement ranging from two to five years. Tradenames are being amortized on a straight-line basis over their estimated useful lives ranging from nine to twelve years.

Foreign currency translation. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year end exchange rates. Income and expense items are translated at average exchange rates prevailing during the year. The resulting translation adjustments are recorded as a component of stockholders' equity.

Income taxes. Deferred tax assets and liabilities are recognized based on differences between the book and tax basis of assets and liabilities using presently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to taxable income for that year and the net changes during the year in the Company's deferred tax assets and liabilities. Undistributed earnings of subsidiaries outside of the U.S. amounted to approximately \$18.1 million and will either be indefinitely reinvested or remitted substantially free of tax. Accordingly, no material provision has been made for taxes that may be payable upon remittance of such earnings, nor is it practicable to determine the amount of this liability. The Company credits additional paid-in capital for realized tax benefits arising from stock transactions with employees. The tax benefit on a non-qualified stock option is equal to the tax effect of the difference between the market price of a share of the Company's common stock on the exercise and grant dates.

Comprehensive income. In the year ended September 30, 1999, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"). FAS 130 establishes standards for reporting and disclosure of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company has disclosed its comprehensive income in the Consolidated Statement of Changes in Stockholders' Equity. The Company's total comprehensive income for the years ended September 30, 1999, 1998 and 1997 was \$86.6, \$87.3 and \$75.0 million, respectively, and consisted of net income and foreign currency translation adjustments.

Recently issued accounting standards. In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") was issued. FAS 133 establishes a new model for accounting for derivatives and hedging activities. The Statement requires all derivatives be recognized in the statement of financial position as either assets or liabilities and measured at fair value. The Company is required to adopt FAS 133 during the year ended September 30, 2001. The Company is currently evaluating the effect, if any, that adoption of FAS 133 will have on the Company's financial position or results of operations.

Fair value of financial instruments. Most of the Company's financial instruments, including cash, marketable securities, trade receivables and payables, and accruals are short-term in nature. Accordingly, the carrying amounts of these financial instruments approximates their fair value (see Note 10 regarding forward purchase agreements).

The carrying amounts of long-term debt approximates fair value as the rates of interest on these credit facilities approximate current market rates of interest for similar instruments with comparable maturities.

Concentrations of credit risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and fees receivable. Concentrations of credit risk with respect to fees receivables are limited due to the large number of clients comprising the Company's client base and their dispersion across many different industries and geographic regions.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures, if any, of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Estimates are used when accounting for such items as allowance for doubtful accounts, depreciation, amortization, income taxes and certain accrued liabilities.

Reclassifications. Certain reclassifications have been made in the prior years' financial statements to conform with the year ended September 30, 1999 presentation.

The Dun and Bradstreet Corporation ("D&B"), an investor in Information Partners Capital Fund, L.P. ("Fund"), provided a portion of the financing in connection with the acquisition of the Company in October 1990. In April 1993, D&B acquired a majority of the outstanding voting securities of the Company in transactions among the Company, D&B and persons and entities associated with the Fund. On November 1, 1996, D&B transferred ownership of its common stock of the Company to Cognizant Corporation ("Cognizant"), a spinoff of D&B and an independent public company. At the date of transfer, these shares represented 51% of the Company's outstanding common stock. During the year ended September 30, 1997, Cognizant's ownership of the Company's outstanding common stock fell below 50%. On June 30, 1998, Cognizant transferred its ownership in the Company to IMS Health Incorporated ("IMS Health"), a spinoff of Cognizant and an independent public company.

On July 16, 1999, the Company's stockholders approved a series of transactions that resulted in the separation of the Company and IMS Health. This was accomplished, in part, through the recapitalization of the Company's outstanding common stock into two classes of Common Stock, consisting of Class A Common Stock and Class B Common Stock, and the issuance of an aggregate of 40,689,648 shares of Class B Common Stock to IMS Health in exchange for a like number of shares of Class A Common Stock held by IMS Health. The separation was effected, in part, through the July 26, 1999 tax-free distribution by IMS Health to its stockholders of the newly issued Class B Common Stock of the Company owned by IMS Health. IMS Health is required by IRS regulations to monetize its remaining interest of 6,900,000 shares and warrants for 599,400 shares in the Company as quickly as feasible after the spinoff, subject to certain restrictions agreed to by both companies. In addition, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the authorized capital stock of the Company to a total of 250,000,000 shares of Common Stock (166,000,000 shares of Class A Common Stock and 84,000,000 shares of Class B Common Stock) and 5,000,000 shares of Preferred Stock. The Class B Common Stock is identical in all respects to the Class A Common Stock, except that the Class B Common Stock is entitled to elect at least 80% of the members of the Company's Board of Directors. In addition, any Class B Common Stock holder who owns more than 15% of the outstanding Class B Common Stock, will not be able to vote all of his or her Class B Common Stock in the election of directors unless such holder owns an equivalent percentage of Class A Common Stock. The Company's stockholders also approved an amendment to the Company's Certificate of Incorporation to create a classified Board of Directors of three classes having staggered three-year terms.

In connection with the IMS Health transaction the Company declared a special, nonrecurring cash dividend of \$1.1945 per share, payable to all Company stockholders of record as of July 16, 1999. The cash dividend, totaling approximately \$125.0 million, was paid on July 22, 1999 and was funded out of existing cash.

Also in connection with the recapitalization, on July 27, 1999 the Company commenced a tender offer in a Dutch Auction format to purchase approximately 15% of its outstanding common stock at prices not less than \$21.00 and not more than \$24.00 per share. Under the terms of the Dutch Auction tender offer, the Company repurchased shares of Class A Common Stock and Class B Common Stock in the same proportion as the ratio of the number of shares of each class outstanding on July 26, 1999. Pursuant to the tender offer, which expired on August 31, 1999, the Company purchased a total of 15,759,279 shares, comprised of 9,636,247 shares of Class A Common Stock at a purchase price of \$21.75 per share and 6,123,032 shares of Class B Common Stock at a purchase price of \$21.875 per share. These repurchases were funded in part through term borrowings under the Company's \$500 million credit facility (see Note 8 -- Long-Term Debt). The Company also is required to purchase 5,166,691 shares, allocated between Class A Common Stock and Class B Common Stock in the same proportion as in the Dutch Auction, in the open market by July 2001 as part of the recapitalization plan.

As a result of the special, nonrecurring cash dividend, the Board of Directors approved a reduction in the exercise prices of stock options to maintain the aggregate economic value of the stock options. Under the exercise price reduction program, the exercise prices of all options that had an exercise price below the fair market value of the stock on July 16, 1999 were reduced to maintain the ratio of the exercise price to the fair market value of the stock prior to the cash dividend. The exercise prices of options with an exercise price equal to or greater than the fair market value of the stock on July 16, 1999 were reduced by an amount equal to the dividend per share paid by the Company. No changes were made to either the number of shares of common stock covered or the vesting schedule of the options.

Under the terms of the recapitalization agreement, the Company is required to indemnify IMS Health for additional taxes, under certain circumstances, if actions by the Company cause the distribution to become taxable to IMS Health and its stockholders. These actions include the use of stock for substantial acquisitions and the issuance, without regulatory approval, of stock options over set limitations during a two-year period following the recapitalization. In addition, the Company has indemnified IMS Health for any tax liabilities associated with the spinoff that may result from the acquisition of the Company. The Company monitors its actions for compliance in this regard and believes that it is unlikely, within matters under the Company's control, that it will incur any significant costs as a result of its indemnity.

3--ACQUISITIONS

On August 1, 1997, the Company acquired all of the outstanding shares of Computer and Communications Information Group, Inc. doing business as Datapro Information Services ("Datapro"), a unit of McGraw-Hill Companies, for consideration of approximately \$25.0 million in cash. Datapro is a provider of information on product specifications and pricing, product comparisons, technology reports, market overviews, case studies and user ratings surveys. Datapro's services and products provide feature and side-by-side comparisons of computer hardware, software and communications products. 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 the estimated fair values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was \$33.5 million and has been recorded as goodwill which is being amortized over 30 years. In addition, \$2.5 million of the purchase price was allocated to a non-compete agreement which is being amortized over 4 years. If the acquisition of Datapro had occurred at the beginning of 1997, consolidated total revenues on a pro forma basis would have been \$536.6 million for the year ended September 30, 1997. This revenue does not purport to be indicative of what would have occurred had the acquisition been made as of that date or of total revenues which may occur in the future. The pro forma effect on the Company's net income and net income per common share for the year ended September 30, 1997 is not material.

On October 22, 1997, the Company acquired a 32% membership interest in Jupiter Communications, LLC ("Jupiter") for \$8.0 million in cash. On September 16, 1998, the Company increased its membership interest in Jupiter to 37% for an additional \$1.3 million in cash and on May 25, 1999 the Company made an additional investment of \$1.1 million in cash to maintain its 37% membership interest in Jupiter. Jupiter is a provider of analyst-based research and strategic planning services to the consumer and Internet and interactive industries. This investment is accounted for under the equity method of accounting. The excess of the cost of the investment over the underlying proportionate share of net assets (goodwill) in Jupiter totaling \$9.3 million is being amortized over 30 years and is included in other assets in the Consolidated Balance Sheets. On October 7, 1999 Jupiter completed its initial public offering ("IPO") at \$21.00 per share of common stock and, upon the closing of the offering, exchanged membership units in Jupiter for shares of common stock of Jupiter Communications, Inc. The Company owns 4,028,503 million shares, or approximately 28.1%, of Jupiter Communications, Inc.'s outstanding common stock.

On January 30, 1998, the Company acquired all the assets and assumed the liabilities of Interpose, Inc. ("Interpose"), for \$7.5 million in cash and 13,746 shares of Class A Common Stock of the Company which had an approximate fair market value of \$0.5 million. Interpose is a provider of total cost of ownership measurement and analysis tools and training. The acquisition was accounted for by the purchase method, and the purchase price has been allocated to the assets acquired and liabilities assumed, based upon estimated fair values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was \$8.3 million. Of such amount, \$4.5 million was expensed as purchased in-process research and development costs and is presented as the acquisition-related charge in the Consolidated Statements of Operations. Of the remaining excess purchase price, \$2.9 million was allocated to goodwill which is being amortized over 12 years and \$0.9 million was allocated to a non-compete agreement which is being amortized over 5 years.

On May 18, 1998, the Company acquired all the assets and assumed the liabilities of The Research Board, Inc., for \$6.4 million in cash and 183,945 shares of Class A Common Stock of the Company which had an approximate fair market value of \$5.7 million. The Research Board, Inc. compiles and provides information technology ("IT") research on suppliers and new technologies, validated management practices and IT best practices to its membership, which consist principally of senior IT executives. 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 values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was \$15.1 million, of which \$14.5 million has been recorded as goodwill, which is being amortized over 30 years. In addition, \$0.6 million of the purchase price was allocated to a non-compete agreement which is being amortized over 5 years.

On September 4, 1998, the Company acquired all of the outstanding shares of Vision Events International, Inc., for \$20.5 million in cash. Vision Events International, Inc. produces premiere channel events that serve to bring IT vendors, value-added resellers, and system integrators together with vendors and distributors selling through these channels. 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 values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was \$24.0 million of which \$23.6 million has been recorded as goodwill which is being amortized over 30 years. In addition, \$0.4 million of the purchase price was allocated to a non-compete agreement which is being amortized over 3 years.

On October 7, 1998, the Company acquired all the assets and assumed the liabilities of Griggs-Anderson, Inc., for \$10.9 million in cash and 305,808 shares of Class A Common Stock of the Company, which had an approximate fair market value of \$7.3 million. Griggs-Anderson, Inc. provides custom market research to vendors in the technology marketplace, research and surveys for the evaluation of Web sites for effectiveness of content, technical performance, ease of navigation, impact of graphics, and demographic profiles of users. 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 values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was \$16.9 million, of which \$15.5 million has been recorded as goodwill, which is being amortized over 30 years. In addition, \$1.4 million of the purchase price was allocated to a non-compete agreement and is being amortized over 5 years.

On November 13, 1998, the Company acquired all of the outstanding shares of Wentworth Research, Limited ("Wentworth") for \$8.3 million in cash. Wentworth provides research and advisory services to chief information officers and the senior information technology management community in the United Kingdom and Hong Kong. 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 values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was approximately \$10.5 million, of which \$9.7 million has been recorded as goodwill, which is being amortized over 30 years. In addition, \$0.8 million of the purchase price was allocated to a non-compete agreement which is being amortized over 2 years.

On January 1, 1999, the Company acquired all of the assets and assumed the liabilities of G2R, Inc. ("G2R") for \$7.8 million in cash and 358,333 shares of Class A Common Stock of the Company which had an approximate fair market value of \$7.8 million. G2R is a provider of research and consulting services to IT product vendors and professional services and outsourcing firms. 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 values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was approximately \$13.4 million, of which \$12.6 million has been recorded as goodwill, which is being amortized over 30 years. In addition, \$0.8 million of the purchase price was allocated to a non-compete agreement and is being amortized over 4 years.

On July 30, 1999 the Company acquired all of the outstanding shares of The Warner Group ("Warner") for \$18.0 million in cash. Warner is a leading management consulting firm specializing in information technology, communications technology and performance improvement for government agency clients. 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 values at the date of acquisition. The excess purchase price over the fair value of amounts assigned to the net tangible assets acquired was approximately \$15.2 million, of which \$14.3 million has been recorded as goodwill, that is being amortized over 30 years. In addition, \$0.9 million of the purchase price was allocated to non-compete agreements and is being amortized over 2 and 5 years.

During 1999, the Company completed additional acquisitions for consideration of \$16.1 million in cash. During 1998, the Company completed additional acquisitions for consideration of \$12.8 million in cash and 28,236 shares of Class A Common Stock of the Company, which had an approximate fair value of \$0.7 million. These acquisitions have been accounted for under the purchase method and substantially all of the purchase price has been assigned to goodwill.

During 1999 and 1998 the Company made several investments totaling \$10.9 million and \$10.5 million, respectively, that are accounted for on the cost method. The Company also made investments totaling \$3.1 million and \$9.3 million in 1999 and 1998 respectively, that are accounted for on the equity method. These investments totaled \$14.0 million and \$19.8 million and are included in Other assets on the Consolidated Balance Sheets as of September 30, 1999 and 1998, respectively.

Total cost and equity investments of the Company were \$75.2 million and \$61.9 million, respectively, and are included in Other assets on the Consolidated Balance Sheets at September 30, 1999 and 1998, respectively. The pro forma results of operations for the year ended September 30, 1999 and 1998, assuming the 1999 acquisitions were made at the beginning of each year, would not differ significantly from the historical results.

4--SALE OF GARTNERLEARNING

On September 1, 1998, the Company sold GartnerLearning, a division of the Company that provides technology based training and services for information technology professionals to NETg Inc. ("NETg"), a subsidiary of Harcourt Brace & Company, for \$5.0 million in cash and an 8% equity interest in NETg. In addition, the Company received a put option which allows the Company to sell its 8% equity interest to an affiliate of Harcourt Brace & Company for \$48.0 million in cash.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

This put option may be exercised for two years beginning on September 1, 2002, if certain conditions are met. The Company's 8% interest in NETg was independently appraised at \$42.5 million on the date of sale and is included in Other assets in the Consolidated Balance Sheets. Including transaction costs related to the sale of \$3.8 million, the pre-tax loss on sale of GartnerLearning was approximately \$2.0 million.

5--OTHER CHARGES

During 1999, the Company recorded other charges related to reorganization and recapitalization of approximately \$30.1 million on a pre-tax basis. Approximately \$14.2 million of the charge related to certain job eliminations associated with strategic reduction in force initiatives. Approximately \$9.2 million of the other charge pertained to legal and advisory fees associated with the Company's recapitalization (see Note 2--Recapitalization). In relation to the Company's recapitalization, the Company's board of directors approved a special one-time cash incentive plan to be earned and paid in three installments and designed to enhance retention of key personnel. Approximately twenty-five percent of the retention incentive, or \$6.7 million, was vested in 1999 and was paid on October 15, 1999. The second payment will be made on or before December 31, 1999 and the third payment will be made on or before April 15, 2000.

During 1998, the Company recorded other charges, primarily consisting of relocation and severance costs, totaling approximately \$2.8 million related to the Company's relocation of certain accounting and order processing operations from Stamford, Connecticut to a new financial services center in Ft. Myers, Florida. These expenses are presented as other charges in the Consolidated Statements of Operations.

6--PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	USEFUL LIFE (YEARS)	SEPTEMBER 30,	
		1999	1998
FURNITURE AND EQUIPMENT	3-8	\$ 42,737	\$ 27,278
COMPUTER EQUIPMENT	2-3	75,780	60,809
LEASEHOLD IMPROVEMENTS	2-15	23,955	21,916
		142,472	110,003
LESS--ACCUMULATED DEPRECIATION AND AMORTIZATION		(78,880)	(59,202)
		\$ 63,592	\$ 50,801

7--INTANGIBLE ASSETS, NET

Intangible assets, net, carried at cost, less accumulated amortization consist of the following (in thousands):

	AMORTIZATION PERIOD (YEARS)	SEPTEMBER 30,	
		1999	1998
GOODWILL	7-30	\$237,933	\$168,936
NON-COMPETE AGREEMENTS	2-5	10,600	5,489
TRADE NAMES	9-12	3,140	778
		251,673	175,203
LESS--ACCUMULATED AMORTIZATION		(28,573)	(19,417)
		\$223,100	\$155,786

8--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 million of credit facilities, consisting of a \$350 million term loan and a \$150 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. As of September 30, 1999, the Company had borrowed \$250 million under the term loan, and had not made any borrowings under the revolving credit facility. Loans under the revolving facility will be available for five years, subject to certain customary conditions on the date of any such loan. A quarterly commitment fee of between 0.25% and 0.35% per annum is payable on the unborrowed balance of the revolving credit facility. Borrowings under the credit facility will accrue interest based on one or more rates selected by the Company plus an applicable margin. The base rate shall be LIBOR or alternatively, the higher of the prime commercial lending rate of The Chase Manhattan Bank, the Federal Funds Rate or the secondary market rate for certificates of deposit. The applicable margin for the base rate can range from 0% to 0.50% per annum based upon an applicable calculated ratio and is initially 0.25% per annum. The interest rate paid on long-term debt as of September 30, 1999 was 7.5%

Loans made under the term loan will mature five years after the closing date and will amortize in eight equal semi-annual installments commencing eighteen months after the closing date. Loans made under the revolving credit facility will mature five years after the closing date. Maturities of long-term debt for the next five fiscal years are approximately \$31.3 million in 2000, \$62.5 million for each year 2001 through 2003 and \$31.3 million in 2004. Under the Credit Agreement, the Company and its subsidiaries are subject to certain customary affirmative, negative and financial covenants.

Letters of credit are issued by the Company in the ordinary course of business. As of September 30, 1999, the Company had outstanding letters of credit with Chase Manhattan Bank for \$1.5 million and with The Bank of New York for \$2.0 million.

9--COMMITMENTS AND CONTINGENCIES

The Company leases various facilities, furniture and computer equipment under lease arrangements expiring between 2000 and 2026. Future minimum annual payments under operating lease agreements as of September 30, 1999 are as follows (in thousands):

YEAR ENDED SEPTEMBER 30,	
2000	\$ 15,486
2001	12,933
2002	10,794
2003	9,847
2004	7,600
THEREAFTER	45,252
TOTAL MINIMUM LEASE PAYMENTS	\$101,912

Rental expense for operating leases, net of sublease income, was \$24.4, \$21.3 and \$16.8 million for the years ended September 30, 1999, 1998 and 1997, respectively. The Company has commitments with two facilities management companies for printing, copying, mailroom and other related services. The minimum annual obligations under these service agreements are \$4.8 million for 1999, \$4.9 million for 2000, \$4.1 million for 2001, \$4.1 million for 2002, and \$1.0 million for year 2003.

The Company is required to repurchase 5,166,691 additional shares of its common stock on the open market by July 2001 as part of its recapitalization (see Note 2 - Recapitalization).

The Company is involved in legal proceedings and litigation arising in the ordinary course of business. The Company believes the outcome of all current proceedings, claims and litigation will not have a material effect on the Company's financial position or results of operations when resolved in a future period.

10--STOCKHOLDERS' EQUITY

Capital stock. Class A Common Stock and Class B Common Stock stockholders are entitled to one vote per share on all matters to be voted by stockholders, other than the election of directors. Class A Common Stock stockholders are entitled to one vote per share on the election of Class A directors, which constitute not more than 20% of the directors and Class B Common Stock stockholders are entitled to one vote per share on the election of Class B directors, which constitute at least 80% of the directors. In addition, any Class B Common Stock holder who owns more than 15% of the outstanding Class B Common Stock, will not be able to vote all of his or her Class B Common Stock in the election of directors unless such holder owns an equivalent percentage of Class A Common Stock.

On June 4, 1997, with the Board of Directors approval, the Company provided loans totaling \$7.2 million to certain officers to facilitate the purchase of common stock arising out of the exercise of stock options. The loan proceeds were not used to fund the option exercise price of the common stock acquired. The loans were full recourse obligations to the officers and were secured by shares of the Company's stock. The loans bore interest at an annual rate of 6.1%. On December 18, 1997, with the Board of Directors approval, the Company provided additional loans for the same purpose to certain officers totaling \$2.5 million. The loans bore interest at an annual

rate of 5.6%. On July 23, 1998, with the Board of Directors' approval, the Company received 302,003 shares of Class A Common Stock in settlement of the loan balances and accrued interest.

Stock option plans and warrants. Under the terms of the 1991 Stock Option Plan, the Board of Directors may grant non-qualified and incentive options, entitling employees to purchase shares of the Company's common stock at the fair market value on the date of grant. The Board can determine the date on which options vest and become exercisable. A total of 32,800,000 shares of Class A Common Stock have been reserved for issuance under this plan. At September 30, 1999 and 1998, 5,948,420 and 9,001,508 options were available for grant, respectively.

In January 1993, the Company adopted the 1993 Director Option Plan, a stock option plan for directors, and reserved an aggregate of 1,200,000 shares of Class A Common Stock for issuance under this plan. The plan currently provides for the automatic grant of 15,000 options to purchase shares of Class A Common Stock to each director upon first becoming an outside director and the automatic grant of an option to purchase an additional 7,000 shares of Class A Common Stock annually based on continuous service as an outside director. The exercise price of each option granted under the plan is equal to the fair market value of the Class A Common Stock at the date of grant. Options granted are subject to cumulative yearly vesting over a three year period after the date of grant. At September 30, 1999 and 1998, 526,000 and 603,000 options were available for grant, respectively.

In October 1994, the Board of Directors and stockholders of the Company approved the adoption of a Long-Term Stock Option Plan and the reservation of an aggregate of 6,560,000 shares of Class A Common Stock for issuance thereunder. The purpose of the plan is to provide to senior personnel long-term equity participation in the Company as an incentive to promote the long-term success of the Company. The exercise price of each option granted under the plan is equal to the fair value of the Class A Common Stock at the date of grant. All options granted under the plan vest and become fully exercisable five years following the date of grant, based on continued employment, and have a term of ten years from the date of grant assuming continued employment. Vesting and exercisability accelerates upon achievement of certain financial performance targets determined by the Board of Directors. If the financial performance targets are met for the year of grant in accordance with parameters as set by the Board in its sole discretion, 25% of the shares granted become exercisable on the first anniversary date following the date of grant and, if cumulative financial performance targets are met for both the first and second years following the date of grant, a second 25% become exercisable three years following the date of grant. If cumulative financial performance targets are met for all three years following the date of grant, a third 25% become exercisable on the fourth anniversary date following the date of grant and the final 25% become exercisable on the fifth anniversary following the date of grant. Based on cumulative performance through 1999, 1,487,070 shares were exercisable on September 30, 1999. At September 30, 1999 and 1998, 624,000 and 287,500 options were available for grant, respectively.

In October 1996, the Company adopted the 1996 Long Term Stock Option Plan. Under the terms of the plan, the Board of Directors may grant non-qualified and incentive options, entitling employees to purchase shares of the Company's common stock at the fair market value at the date of option grant. A total of 1,800,000 shares of Class A Common Stock was reserved for issuance under this plan. All options granted under the plan vest and become fully exercisable six years following the date of grant, based on continued employment, and have a term of ten years from the date of grant assuming continued employment. Vesting and exercisability accelerates upon achievement of certain financial performance targets determined by the Board of Directors. If financial performance targets are met in the year of grant in accordance with parameters as set by the Board in its sole discretion, 25% of the shares granted become exercisable on the third anniversary date following the date of grant. If cumulative financial performance targets are met for both the first and second years following the date of grant, a second 25% become exercisable three years following the date of grant. If financial performance targets are met cumulatively for all three years following the date of grant, a third 25% become exercisable on the fourth anniversary date following the date of grant and the final 25% become exercisable on the fifth anniversary following the date of grant. Based on 1997 and 1998 performance, 815,250 options will be exercisable on February 24, 2000. At September 30, 1999 and 1998, 473,000 and 169,500 options to purchase common stock were available for grant.

In October 1998, the Company adopted the 1998 Long Term Stock Option Plan. Under the terms of the plan, the Board of Directors may grant non-qualified and incentive options, entitling employees to purchase shares of the Company's common stock at the fair market value at the date of option grant and restricted stock. A total of 2,500,000 shares of Class A Common Stock was reserved for issuance under this plan. All options currently granted under the plan vest and become fully exercisable six years following the date of grant, based on continued employment, and have a term of ten years from the date of grant assuming continued employment. Vesting and exercisability accelerates upon achievement of certain financial performance targets determined by the Board of Directors. If financial performance targets are met in the year of grant in accordance with parameters as set by the Board in its sole discretion, 25% of the shares granted become exercisable in the third anniversary date following the date of grant. If cumulative financial performance targets are met for both the first and second years following the date of grant, a second 25%

become exercisable three years following the date of grant. If financial performance targets are met cumulatively for all three years following the date of grant, a third 25% become exercisable on the fourth anniversary date following the date of grant and the final 25% become exercisable on the fifth anniversary following the date of grant. Based on 1999 performance, no vesting has accelerated; however, if cumulative financial performance targets are met for 1999 and 2000 or 1999, 2000 and 2001, vesting may still accelerate. At September 30, 1999, 176,000 options to purchase common stock were available for grant.

On April 4, 1997, the Company adopted an option exchange program that allowed the exchange of certain stock options granted from October 1995 through January 1997 under the 1991 Option Plan and the 1994 Long-Term Plan for options with an exercise price of \$21.09 per share. In total, options to purchase 1,647,000 shares of common stock were exchanged under this program. The original vesting schedules and expiration dates associated with these stock options were also amended to commence with the stock option exchange program date. These amounts have been included as granted and canceled options during 1997 in the summary activity table shown below.

On December 15, 1998, the Company adopted another option exchange program that allowed the exchange of certain stock options granted from April 1997 through July 1998 for options with an exercise price of \$20.46. In total, options to purchase 4,737,400 shares of common stock were exchanged under this program. The original vesting schedules and expiration dates associated with these stock options were also amended to commence with the stock option exchange program date. These amounts have been included as granted and canceled options during 1999 in the summary activity table shown below.

In connection with the recapitalization (see Note 2--Recapitalization), substantially all options with an exercise price below the fair market value of the stock on the effective date were reduced to maintain the ratio of the exercise price to the fair market value of the stock prior to the special, nonrecurring cash dividend, which was \$1.1945 per share. The exercise prices of options with an exercise price equal to or greater than the fair market value of the stock on the effective date were reduced by an amount equal to the dividend per share paid by the Company. No changes were made in either the number of shares of common stock covered or in the vesting schedule of the options.

A summary of stock option activity under the plans and agreement through September 30, 1999 follows:

	CLASS A COMMON STOCK UNDER OPTION	WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING AT SEPTEMBER 30, 1996	18,786,597	\$ 6.922
GRANTED	5,694,814	\$23.023
EXERCISED	(4,036,862)	\$ 3.385
CANCELED	(2,623,199)	\$26.416
OUTSTANDING AT SEPTEMBER 30, 1997	17,821,350	\$11.462
GRANTED	5,060,949	\$33.329
EXERCISED	(5,370,690)	\$ 6.716
CANCELED	(1,380,577)	\$20.539
OUTSTANDING AT SEPTEMBER 30, 1998	16,131,032	\$19.086
GRANTED	11,818,259	\$20.946
EXERCISED	(2,648,169)	\$ 6.810
CANCELED	(7,511,554)	\$21.637
OUTSTANDING AT SEPTEMBER 30, 1999	17,789,568	\$17.475

Options for the purchase of 4,417,986 and 4,317,310 Class A Common Stock were exercisable at September 30, 1999 and 1998, respectively.

The following table summarizes information about stock options outstanding at September 30, 1999:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
\$0.88-4.83	641,640	603,140	\$ 2.78	1.4
\$5.51-13.08	3,226,240	2,066,240	\$ 7.53	4.9
\$15.67-19.90	8,989,865	1,315,215	\$18.18	8.5
\$20.46-24.49	4,419,323	222,179	\$24.12	9.2
\$25.18-26.81	36,000	32,000	\$25.59	1.8
\$30.47-37.29	476,500	179,212	\$32.61	7.6
	17,789,568	4,417,986		

IMS Health has a warrant expiring December 1, 2000 to purchase 599,400 shares of Class A Common Stock at a price of \$16.42 per share.

Employee stock purchase plan. In January 1993, the Company adopted an employee stock purchase plan (the "1993 Employee Stock Purchase Plan"), and reserved an aggregate of 4,000,000 shares of Class A Common Stock for issuance under this plan. The plan permits eligible employees to purchase Class A Common Stock through payroll deductions, which may not exceed 10% of an employee's compensation (or \$21,250 in any calendar year), at a price equal to 85% of the Class A Common Stock price as reported by NYSE at the beginning or end of each offering period, whichever is lower. During the year ended September 30, 1999, 286,033 shares were issued from treasury stock at an average purchase price of \$17.68 per share. At September 30, 1999, 1,792,900 shares were available for offering under the plan.

Restricted stock awards. During the year ended September 30, 1999, the Company granted restricted stock awards under the 1991 Stock Option Plan and the 1998 Long Term Stock Option Plan. The restricted stock awards will vest in six equal installments with the first installment vesting two years after the grant and then annually thereafter. Recipients are not required to provide consideration to the Company other than rendering service and have the right to vote the shares and receive dividends. The restricted stock may not be sold by the employee during the vesting period. A total of 538,000 restricted shares of Class A Common Stock were issued at a weighted average market value of \$23.09 per share, of which 86,000 have been forfeited as of September 30, 1999. In addition, the Company granted 35,000 stock options under the 1998 Long Term Stock Option Plan with an exercise price of \$1.00 per share that vest on the same basis as the restricted stock awards. Such stock options had a fair market value of \$23.25 per stock option on the date of grant. The aggregate market value of the restricted stock awards and stock option grants was \$9.9 million. Total compensation expense recognized for the restricted stock awards and option grants was approximately \$1.7 million for 1999.

Stock repurchases. Beginning in the year ended September 30, 1997, the Company has entered into a series of forward purchase agreements on its Class A Common Stock. These agreements are settled quarterly at the Company's option on a net basis in either shares of its own Class A Common Stock or cash. To the extent that the market price of the Company's Class A Common Stock on a settlement date is higher (lower) than the forward purchase price, the net differential is received (paid) by the Company. During the year ended September 30, 1998, four settlements resulted in the Company receiving 365,949 shares of Class A Common Stock (recorded in Treasury stock at no cost) and paying approximately \$12.0 million in cash (recorded as a reduction of additional paid-in capital). During the year ended September 30, 1999, four settlements resulted in the Company receiving 155,962 shares of Class A Common Stock and paying approximately \$10.9 million in cash. As of September 30, 1999, a forward purchase agreement in place covered approximately \$17.6 million or 828,157 shares of Class A Common Stock having forward purchase prices established at \$21.25 per share. If the market priced portion of this agreement was settled based on the September 30, 1999 market price of Class A Common Stock (\$16.00 per share), the Company would settle under the terms of the forward purchase agreement with a payment of either \$4.3 million in cash or 271,739 shares of Class A Common Stock.

On August 24, 1998, the Company's Board of Directors approved the repurchase of up to 2,500,000 shares of Class A Common Stock in an effort to offset the dilutive effect of the Company's stock-based employee compensation plans. To date, the Company has repurchased 721,300 shares of Class A Common Stock at a cost of approximately \$17.4 million. There are no open commitments to repurchase stock under this approval. No additional repurchases under this approval are anticipated due to the open market repurchase limitations under the terms of the recapitalization.

Stock based compensation. The Company applies the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for stock-based compensation plans. Accordingly, no compensation cost has been recognized for the fixed stock option plans. Pursuant to the requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" the following are the pro forma net income and net income per share for the years ended September 30, 1999, 1998 and 1997 had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant date for grants under those plans:

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
NET INCOME			
AS REPORTED	\$88,271	\$88,347	\$73,130
PRO FORMA	\$67,128	\$58,480	\$62,497
NET INCOME PER DILUTED COMMON SHARE			
AS REPORTED	\$ 0.84	\$ 0.84	\$ 0.71
PRO FORMA	\$ 0.64	\$ 0.55	\$ 0.61

The pro forma disclosures shown above reflect options granted after the year ended September 30, 1995 and are not likely to be representative of the effects on net income and net income per common share in future years.

The fair value of the Company's stock plans used to compute pro forma net income and diluted earnings per share disclosures is the estimated fair value at grant date using the Black-Scholes option pricing model. The following weighted-average assumptions were utilized for stock options granted or modified:

	1999	1998	1997
EXPECTED LIFE (IN YEARS)	3.1-5.0	2.4-6.4	2.4-6.4
EXPECTED VOLATILITY	.40	.40	.40
RISK FREE INTEREST RATE	4.93%-5.82%	4.22%-4.39%	6.00%-6.09%
EXPECTED DIVIDEND YIELD	0.00%	0.00%	0.00%

The weighted average fair values of the Company's stock options granted in the years ended September 30, 1999, 1998 and 1997 are \$10.19, \$12.00 and \$12.32, respectively.

11--COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share ("EPS") is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in earnings, including stock options and warrants. When the exercise of stock options is antidilutive they are excluded from the calculation.

The following table sets forth the required disclosures of the reconciliation of the basic and diluted net earnings per share computations.

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
NUMERATOR:			
NET INCOME	\$ 88,271	\$ 88,347	\$ 73,130
DENOMINATOR :			
DENOMINATOR FOR BASIC EARNINGS PER SHARE--			
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	102,226	100,194	94,742
EFFECT OF DILUTIVE SECURITIES:			
WEIGHTED AVERAGE NUMBER OF COMMON SHARES UNDER			
WARRANT OUTSTANDING	155	298	274
WEIGHTED AVERAGE NUMBER OF OPTION SHARES OUTSTANDING	2,567	5,207	7,735
DILUTIVE POTENTIAL COMMON SHARES	2,722	5,505	8,009
DENOMINATOR FOR DILUTED EARNINGS PER SHARE--			
ADJUSTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	104,948	105,699	102,751
BASIC EARNINGS PER COMMON SHARE	\$ 0.86	\$ 0.88	\$ 0.77
DILUTED EARNINGS PER COMMON SHARE	\$ 0.84	\$ 0.84	\$ 0.71

For the years ended September 30, 1999 and 1998, options to purchase 4.3 million and 2.2 million shares of Class A Common Stock of the Company with exercise prices greater than the average fair market value of \$21.32 and \$32.67, for the respective periods, were not included in the computation of diluted net income per share because the effect would have been antidilutive. All outstanding options for the year ended September 30, 1997 were dilutive and were included in the calculation of diluted earnings per share.

12--INCOME TAXES

Following is a summary of the components of income before provision for income taxes (in thousands):

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
U.S.	\$107,243	\$113,589	\$ 93,758
NON-U.S.	32,004	37,532	30,115
CONSOLIDATED	\$139,247	\$151,121	\$123,873

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The provision for income tax on the above income consists of the following components (in thousands):

YEAR ENDED SEPTEMBER 30,	1999	1998	1999
CURRENT TAX EXPENSE:			
U.S. FEDERAL	\$18,613	\$ 2,081	\$ 797
STATE AND LOCAL	2,977	2,257	1,872
FOREIGN	6,533	8,927	8,208
TOTAL CURRENT	28,123	13,265	10,877
DEFERRED TAX EXPENSE (BENEFIT):			
U.S. FEDERAL	4,286	921	434
STATE AND LOCAL	1,052	552	912
FOREIGN	1,310	(567)	208
TOTAL DEFERRED	6,648	906	1,554
TOTAL CURRENT AND DEFERRED	34,771	14,171	12,431
BENEFIT OF STOCK TRANSACTIONS WITH EMPLOYEES			
ALLOCATED TO ADDITIONAL PAID-IN CAPITAL	15,878	48,603	38,037
BENEFIT OF PURCHASED TAX BENEFITS CREDITED TO GOODWILL	327	--	275
TOTAL PROVISION FOR INCOME TAXES	\$50,976	\$62,774	\$50,743

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

SEPTEMBER 30,	1999	1998
DEPRECIATION AND AMORTIZATION	\$ 1,585	\$ 666
EXPENSE ACCRUALS FOR BOOK PURPOSES	7,495	4,285
LOSS AND CREDIT CARRYFORWARDS	4,622	11,456
INTANGIBLE ASSETS	1,668	1,814
OTHER	1,210	1,104
GROSS DEFERRED TAX ASSET	16,580	19,325
INTANGIBLE ASSETS	(8,457)	(2,299)
EQUITY INTEREST	(2,478)	(2,477)
OTHER	(1,577)	(89)
GROSS DEFERRED TAX LIABILITY	(12,512)	(4,865)
VALUATION ALLOWANCE	(3,559)	(6,444)
NET DEFERRED TAX ASSET	\$ 509	\$ 8,016

Current and long-term net deferred tax assets are \$5.7 million and \$0 million as of September 30, 1999 and are \$1.8 million and \$6.2 million as of September 30, 1998, respectively, and are included in Prepaid expenses and other current assets and Other assets in the Consolidated Balance Sheets. Current and long-term net deferred tax liabilities are \$0.9 million and \$4.3 million as of September 30, 1999 and are included in Accounts payable and accrued liabilities and Other liabilities in the Consolidated Balance Sheets. There were no deferred tax liabilities as of September 30, 1998.

The valuation allowance relates to state and foreign tax loss carryforwards that more likely than not will expire unutilized. The net decrease in the valuation allowance of approximately \$2.9 million in the current year results primarily from the utilization of U.S. federal tax loss carryforwards of approximately \$5.0 million and state tax loss carryforwards of approximately \$11.0 million. The net increase in the valuation allowance of approximately \$1.5 million in the year ended September 30, 1998 was due primarily from the increase in the state tax carryforwards of approximately \$2.0 million and the net utilization of foreign tax loss carryforwards of approximately \$0.5 million. The tax benefits from such tax loss carryforwards were \$2.5, \$1.2 and \$1.7 million for the years ended September 30, 1999, 1998 and 1997, respectively. Approximately \$2.7 million of the valuation allowance would reduce paid-in-capital upon subsequent recognition of any related tax benefits.

The differences between the U.S. federal statutory income tax rate and the Company's effective rate are:

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
STATUTORY TAX RATE	35.0%	35.0%	35.0%
STATE INCOME TAXES, NET OF FEDERAL BENEFIT	3.1	4.3	4.5
FOREIGN INCOME TAXED AT A DIFFERENT RATE	1.7	0.7	0.6
NON-DEDUCTIBLE GOODWILL AND DIRECT ACQUISITION COSTS	1.1	3.5	0.9
NON-TAXABLE INCOME EXEMPT FOREIGN TRADING GROSS RECEIPTS	(1.3)	(1.3)	(0.9)
NON-DEDUCTIBLE RECAPITALIZATION COSTS	(2.3)	(1.4)	(1.0)
SETTLEMENT OF TAX EXAMS BENEFIT OF OPERATING LOSS AND TAX CREDIT CARRYFORWARDS	2.2	--	--
OTHER ITEMS	(1.8)	--	--
	(2.0)	--	--
	0.9	0.7	1.9
EFFECTIVE TAX RATE	36.6%	41.5%	41.0%

As of September 30, 1999, the Company had state and local tax loss carryforwards of \$40.6 million, the majority of which will expire in two to four years. In addition, the Company had foreign tax loss carryforwards of \$4.5 million, of which \$0.6 million will expire within three to five years, and \$3.9 million can be carried forward indefinitely. In 1999, the Company incurred \$8.6 million of non-deductible recapitalization costs during the year, the tax effect of which was approximately offset by a one-time income tax benefit of \$2.5 million related primarily to the settlement of certain tax examinations in the second quarter. In 1998, the sale of GartnerLearning resulted in an additional tax provision of \$4.2 million primarily due to the reversal of non-deductible goodwill. The effective tax rate, less the impact of the above mentioned items, was 37% and 39% for 1999 and 1998, respectively.

13--EMPLOYEE BENEFITS

The Company has a savings and investment plan covering substantially all domestic employees. The Company contributes amounts to this plan based upon the level of the employee contributions. In addition, the Company also contributes fixed and discretionary amounts based on employee participation and attainment of operating margins set by the Board of Directors. Amounts expensed in connection with the plan totaled \$6.6, \$5.4 and \$4.6 million for the years ended September 30, 1999, 1998 and 1997, respectively.

14--SEGMENT INFORMATION

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). FAS 131 supercedes Statement of Financial Accounting Standards No 14, "Financial Reporting for Segments of a Business Enterprise", replacing the "industry segment" with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. FAS 131 also requires additional disclosures with respect to products and services, geographic areas and major customers.

In the fourth quarter of 1999, the Company adopted FAS 131. In relation to the reorganization in the fourth quarter of 1999, the Company began managing its business in three reportable segments organized on the basis of differences in its related products and services: research, services and events. 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.

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

The Company evaluates performance and allocates resources based on 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 as described in Note 1 - Summary of Significant Accounting Policies.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following tables present information about reportable segments (in thousands). Operating income in the "Other" column includes expenses unallocated to reportable segments, expenses allocated to operations that do not meet the quantitative threshold of FAS 131, and other charges. There are no intersegment revenues:

YEAR ENDED SEPTEMBER 30, 1999	RESEARCH	SERVICES	EVENTS	OTHER	CONSOLIDATED
REVENUES	\$479,045	149,840	75,581	29,768	\$734,234
OPERATING INCOME	\$336,919	55,857	32,532	(294,313)	\$130,995
INTEREST INCOME, NET					\$ 8,252
INCOME BEFORE PROVISION FOR INCOME TAXES					\$139,247

YEAR ENDED SEPTEMBER 30, 1998	RESEARCH	SERVICES	EVENTS	OTHER	CONSOLIDATED
REVENUES	\$433,141	110,955	49,121	48,740 (1)	\$641,957
OPERATING INCOME	\$312,855	50,787	19,546	(239,651)	\$143,537
LOSS ON SALE OF GARTNERLEARNING					\$ (1,973)
INTEREST INCOME, NET					\$ 9,557
INCOME BEFORE PROVISION FOR INCOME TAXES					\$151,121

YEAR ENDED SEPTEMBER 30, 1997	RESEARCH	SERVICES	EVENTS	OTHER	CONSOLIDATED
REVENUES	\$349,600	84,631	34,256	42,752 (1)	\$511,239
OPERATING INCOME	\$248,825	40,409	10,319	(182,940)	\$116,613
INTEREST INCOME, NET					\$ 7,260
INCOME BEFORE PROVISION FOR INCOME TAXES					\$123,873

(1) REPRESENTS THE SUM OF OTHER AND LEARNING REVENUES FOR YEARS ENDED SEPTEMBER 30, 1998 AND 1997.

The Company's consolidated revenues are generated primarily through direct sales to clients by domestic and international sales forces and a network of independent international distributors. The Company defines "Europe Revenues" as revenues attributable to clients located in England and the European region and "Other International Revenues" as revenues attributable to all areas located outside of the United States, Canada and Europe. Most products and services of the Company are provided on an integrated worldwide basis. Because of the integration of products and services delivery, it is not practical to separate precisely the revenues and operating income of the Company by geographic location. Accordingly, the separation set forth in the table below is based upon internal allocations, which involve certain management estimates and judgments. Fiscal 1998 and 1997 revenues and operating income by geographic location have been restated to be more comparable to the 1999 revenues allocation methodology.

European identifiable tangible assets consist primarily of the assets of the European subsidiaries and include the accounts receivable balances carried directly by the subsidiaries located in England, France and Germany. All other European client receivables are maintained by, and therefore are included as identifiable assets of, the United States operations.

Summarized information by geographic location is as follows (in thousands):

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
UNITED STATES AND CANADA:			
REVENUES	\$471,783	\$415,622	\$339,318
OPERATING INCOME	\$ 70,139	\$ 81,894	\$ 68,482
IDENTIFIABLE TANGIBLE ASSETS	\$437,452	\$551,030	\$407,262
LONG-LIVED ASSETS	\$318,509	\$285,125	\$189,304
EUROPE:			
REVENUES	\$212,131	\$173,762	\$132,229
OPERATING INCOME	\$ 48,433	\$ 44,455	\$ 42,090
IDENTIFIABLE TANGIBLE ASSETS	\$110,472	\$ 93,409	\$ 73,974
LONG-LIVED ASSETS	\$ 41,233	\$ 25,533	\$ 20,950
OTHER INTERNATIONAL:			
REVENUES	\$ 50,320	\$ 52,573	\$ 39,692
OPERATING INCOME	\$ 12,423	\$ 17,188	\$ 6,041
IDENTIFIABLE TANGIBLE ASSETS	\$ 32,420	\$ 31,888	\$ 27,654
LONG-LIVED ASSETS	\$ 11,518	\$ 11,134	\$ 10,331

Excluding other charges, operating income was \$95.1 million, \$52.9 million and \$13.1 million in the United States and Canada, Europe and Other International, respectively, for the year ended September 30, 1999. Excluding acquisition-related and other charges, operating income in the United States and Canada was \$89.2 million for the year ended September 30, 1998.

15--QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN THOUSANDS EXCEPT PER SHARE DATA)

YEAR ENDED SEPTEMBER 30, 1999	1ST	2ND	3RD	4TH
REVENUES	\$190,380	\$171,328	\$185,658	\$186,868
OPERATING INCOME(1)	\$ 45,742	\$ 39,610	\$ 38,138	\$ 7,505
NET INCOME	\$ 30,088	\$ 28,841	\$ 26,416	\$ 2,926
DILUTED EARNINGS PER COMMON SHARE	\$ 0.29	\$ 0.27	\$ 0.25	\$ 0.03

YEAR ENDED SEPTEMBER 30, 1998	1ST	2ND	3RD	4TH
REVENUES	\$162,667	\$149,565	\$160,992	\$168,733
OPERATING INCOME	\$ 41,145	\$ 31,083	\$ 35,462	\$ 35,847
NET INCOME	\$ 25,644	\$ 20,099	\$ 22,982	\$ 19,622
DILUTED EARNINGS PER COMMON SHARE	\$ 0.25	\$ 0.19	\$ 0.22	\$ 0.19

(1) INCLUDES OTHER CHARGES OF \$4.4 MILLION, \$1.5 MILLION, AND \$24.2 MILLION IN THE QUARTERS ENDED MARCH 31, 1999, JUNE 30, 1999 AND SEPTEMBER 30, 1999, RESPECTIVELY.

REPORT BY MANAGEMENT

Management's Responsibility for Financial Reporting

Management has prepared and is responsible for the integrity and objectivity of the consolidated financial statements and related information included in the Annual Report. The consolidated financial statements, which include amounts based on management's best judgments and estimates, were prepared in conformity with generally accepted accounting principles. Financial information elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal controls designed to provide reasonable assurance at reasonable cost that assets are safeguarded and transactions are properly executed and recorded for the preparation of financial information. The internal control system is augmented with an organizational structure providing division of responsibilities, careful selection and training of qualified financial people and a program of internal audits.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with management, internal auditors and our independent accountants to ensure that each is meeting its responsibilities and to discuss matters concerning internal controls and financial reporting. Both the independent and internal auditors have unrestricted access to the Audit Committee.

The independent auditors for fiscal 1999, 1998 and 1997, KPMG LLP, audit and render an opinion on the financial statements in accordance with generally accepted auditing standards. These standards include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

/s/ Manuel A. Fernandez

Manuel A. Fernandez
Chairman

/s/ Michael D. Fleisher

Michael D. Fleisher
President and Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders--Gartner Group, Inc.:

We have audited the accompanying consolidated balance sheets of Gartner Group, Inc. and subsidiaries as of September 30, 1999 and 1998, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gartner Group, Inc. and subsidiaries as of September 30, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP
St. Petersburg, Florida

October 28, 1999

SELECTED CONSOLIDATED FINANCIAL DATA

(IN THOUSANDS EXCEPT PER SHARE DATA) FISCAL YEAR ENDED SEPTEMBER 30, 1999 1998 1997 1996 1995

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

	1999	1998	1997	1996	1995
REVENUES:					
RESEARCH	\$479,045	\$433,141	\$349,600	\$279,629	\$222,394
SERVICES	149,840	110,955	84,631	61,348	40,781
EVENTS	75,581	49,121	34,256	26,449	16,498
OTHER	29,768	30,664	21,438	15,027	14,172
LEARNING	--	18,076	21,314	12,219	1,301
TOTAL REVENUES	734,234	641,957	511,239	394,672	295,146
TOTAL COSTS AND EXPENSES					
OPERATING INCOME	130,995	143,537	116,613	49,440	43,740
MINORITY INTEREST	--	--	--	25	98
LOSS ON SALE OF GARTNERLEARNING	--	(1,973)	--	--	--
INTEREST INCOME, NET	8,252	9,557	7,260	3,665	2,271
INCOME BEFORE INCOME TAXES	139,247	151,121	123,873	53,130	46,109
PROVISION FOR INCOME TAXES	50,976	62,774	50,743	36,692	20,948
NET INCOME	\$ 88,271	\$ 88,347	\$ 73,130	\$ 16,438	\$ 25,161
NET INCOME PER COMMON SHARE:					
BASIC	\$ 0.86	\$ 0.88	\$ 0.77	\$ 0.18	\$ 0.29
DILUTED	\$ 0.84	\$ 0.84	\$ 0.71	\$ 0.17	\$ 0.26

CONSOLIDATED BALANCE SHEET DATA:

CASH AND CASH EQUIVALENTS, AND MARKETABLE SECURITIES	\$ 88,894	\$218,684	\$171,054	\$126,809	\$ 95,414
FEES RECEIVABLE, NET	282,047	239,243	205,760	143,762	112,159
OTHER CURRENT ASSETS	61,243	53,152	48,794	39,579	28,655
TOTAL CURRENT ASSETS	432,184	511,079	425,608	310,150	236,228
INTANGIBLES AND OTHER ASSETS	371,260	321,792	219,704	133,958	96,678
TOTAL ASSETS	\$803,444	\$832,871	\$645,312	\$444,108	\$332,906
DEFERRED REVENUES	\$354,517	\$288,013	\$254,071	\$198,952	\$161,001
OTHER CURRENT LIABILITIES	119,104	126,822	118,112	92,456	94,208
TOTAL CURRENT LIABILITIES	473,621	414,835	372,183	291,408	255,209
LONG-TERM DEBT	250,000	--	--	--	--
OTHER LIABILITIES	5,337	3,098	3,259	2,465	3,446
STOCKHOLDERS' EQUITY	74,486	414,938	269,870	150,235	74,251
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$803,444	\$832,871	\$645,312	\$444,108	\$332,906

SEPTEMBER 30,	1999	1998	1997	1996	1995
RESEARCH CONTRACT VALUE (1)	\$560,779	\$511,422	\$450,276	\$344,106	\$270,716
TOTAL CONTRACT VALUE (2)	\$684,611	\$596,736	\$505,162	\$387,228	\$303,231
CLIENT ORGANIZATIONS (3)	9,692	9,144	8,124	7,241	5,500

(1) RESEARCH CONTRACT VALUE IS CALCULATED AS THE ANNUALIZED VALUE OF ALL SUBSCRIPTION-BASED RESEARCH PRODUCT CONTRACTS WITH RATABLE REVENUE RECOGNITION IN EFFECT AT A GIVEN POINT IN TIME, WITHOUT REGARD TO THE DURATION OF THE CONTRACTS OUTSTANDING AT SUCH TIME.

(2) TOTAL CONTRACT VALUE IS CALCULATED AS THE ANNUALIZED VALUE OF ALL SUBSCRIPTION-BASED RESEARCH PRODUCT, MEASUREMENT AND CERTAIN OTHER PRODUCT CONTRACTS IN EFFECT AT A GIVEN POINT IN TIME, WITHOUT REGARD TO THE DURATION OF THE CONTRACTS OUTSTANDING AT SUCH TIME. CONTRACT VALUE FOR 1997, 1996 AND 1995 HAS BEEN RESTATED TO EXCLUDE GARTNERLEARNING CONTRACTS.

(3) INFORMATION PROVIDED FOR FISCAL 1995 DOES NOT INCLUDE DATAQUEST, INCORPORATED. INFORMATION PROVIDED FOR 1997 AND 1998 EXCLUDES DATAPRO.CLIENT ORGANIZATIONS HAVE BEEN RESTATED FOR 1997, 1996 AND 1995 TO EXCLUDE GARTNERLEARNING CLIENT ORGANIZATIONS.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Manuel A. Fernandez (1)
Chairman
Gartner Group, Inc.

Michael D. Fleisher (1)
President and CEO
Gartner Group, Inc.

Anne Sutherland Fuchs (3)
Senior Vice President and
Group Publishing Director,
Hearst Magazines

William O. Grabe (3)
General Partner
General Atlantic Partners

Max D. Hopper (2) (4)
Retired Chairman
SABRE Technology Group

John P. Imlay, Jr. (3)
Chairman
Imlay Investments, Inc.

Charles B. McQuade (2)
President and CEO
Securities Industry Automation
Corporation

Stephen G. Pagliuca (2)
Managing Director
Bain Capital

Kenneth Roman (4)
Former Chairman and CEO
Ogilvy & Mather Worldwide

Dennis G. Sisco (4)
Partner
Behrman Capital

LEADERSHIP TEAM

Michael D. Fleisher (1)
President and CEO

Karen T. Cone
Senior Vice President and
General Manager,
GartnerGroup Interactive
Channel

Richard E. Eldh, Jr. (1)
Executive Vice President
Worldwide Sales, Events and
Marketing

Patricia L. Higgins (1)
Executive Vice President and
CEO of The Research Board

Masahiro Miyagawa
President and CEO
GartnerGroup, Japan

Graham P. Norton-Standen
Senior Vice President and
General Manager,
GartnerGroup International

Regina M. Paolillo (1)
Chief Financial Officer and
Executive Vice President
Finance and Administration

Henry B. Satterthwaite
Senior Vice President and
General Manager,
GartnerGroup Services

Maxwell B. Smith
Senior Vice President
Business Development

David R. Whitten
Senior Vice President and
General Manager,
GartnerGroup Research

(1) Corporate Officer
(2) Audit committee

- (3) Compensation committee
- (4) Corporate Governance committee

WORLDWIDE OFFICES

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06904 USA
Phone: 203-316-1111

West Coast Headquarters

San Jose, CA USA

European Headquarters

Egham, United Kingdom

Asia Headquarters

Tokyo, Japan

Pacific Headquarters

Milsons Point, Australia

GartnerGroup is located in 50 countries worldwide. Addresses, phone and fax numbers are listed on the GartnerGroup Web site at gartner.com

SHAREHOLDER INFORMATION

Notice of Annual Meeting

56 Top Gallant Road
Stamford, CT 06904
February 1, 2000
10:00 a.m. Eastern Time

Investor Relations

For further information on the company, additional copies of this report, Form 10-K, or other financial information, contact:

Investor Relations
Gartner Group, Inc.
56 Top Gallant Road
Stamford, CT 06904
203-316-1111

You may also contact us by sending an e-mail to investorrelations@gartner.com or by visiting Investor Information at www.gartnerweb.com/investor

Exchange Information

The Company's Class A and Class B Common Stock is traded on the New York Stock Exchange under the symbols IT and IT/B, respectively.

Legal Counsel

Wilson, Sonsini, Goodrich
& Rosati, P.C.
Palo Alto, CA

Independent Auditors

KPMG LLP
St. Petersburg, FL

Transfer Agent

BankBoston, N.A.
c/o EquiServe
PO Box 8040
Boston, MA 02266-8040
Phone: 781-575-3120
Internet: www.equiserve.com

48 GARTNER GROUP, INC.

GartnerGroup's 1999 annual report was photographed at the company's flagship U.S. conference, Symposium/ITxpo, held in Orlando, FL.

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Design: SVP Wilton, CT

[PHOTO]

gartner.com

GARTNERGROUP
56 TOP GALLANT ROAD
P.O. BOX 10212
STAMFORD, CT
06904-2212
203-316-1111

SUBSIDIARIES OF REGISTRANT	STATE/COUNTRY OF INCORPORATION
AICC Consultores, S.A.	Chile
Computer & Communications Information Group, Inc. (dba Datapro Information Services and Northern Business Information)	New Jersey
Dataquest Australia Pty. Ltd.	Australia
Dataquest, Incorporated	California
Decision Drivers, Inc.	Delaware
G.G. Canada Co.	Nova Scotia
G.G. Canada, Inc.	Delaware
G.G. Credit, Inc.	Delaware
G.G. Global Holdings, Inc.	Delaware
G.G. Investment Management, Inc.	Delaware
G.G. Properties, Ltd.	Bermuda
G.G. West Corporation	Delaware
Gartner Credit Corporation	Delaware
Gartner Enterprises, Ltd.	Delaware
Gartner Group Advisory (Singapore) PTE Ltd.	Singapore
Gartner Group Argentina	Argentina
Gartner Group DO Brasil, S/C Ltda.	Brazil
Gartner Group Europe Holdings, B.V.	The Netherlands
Gartner Group Europe, Inc.	Delaware
Gartner Group Financial Services Company	Ireland
Gartner Group France S.A.R.L.	France
Gartner Group FSC, Inc.	Barbados
Gartner Group, GmbH	Germany
Gartner Group Hong Kong, Ltd.	Hong Kong
Gartner Group Ireland Holdings	Ireland
Gartner Group Ireland, Ltd.	Ireland
Gartner Group Italia, S.r.L.	Italy
Gartner Group Japan K.K.	Japan
Gartner Group Learning, Inc.	Minnesota
Gartner Group Nederland B.V.	The Netherlands
Gartner Group Norge A/S	Norway
Gartner Group Pacific Pty Limited	Australia
Gartner Group Research (Thailand) Ltd.	Thailand
Gartner Group Scandinavia A/S	Denmark
Gartner Group Sverige AB	Sweden
Gartner Group Switzerland AG	Switzerland
Gartner Group Taiwan Ltd.	Taiwan
Gartner Group UK Ltd.	United Kingdom
Griggs-Anderson, Inc.	Delaware
Inteco Corporation	Texas
IT Management Programme Ltd.	United Kingdom
SI Venture Associates, L.L.C.	Delaware
The Research Board	Delaware
The Warner Group	California
Vision Events International, Inc.	Delaware
Vue Acquisition Company	Delaware
Wentworth Research Ltd.	United Kingdom

INDEPENDENT AUDITORS' REPORT ON SCHEDULE

The Board of Directors and Stockholders
Gartner Group, Inc.:

The audits referred to in our report dated October 28, 1999, included the related financial statement schedule for the three-year period ended September 30, 1999. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ KPMG LLP

St. Petersburg, Florida
October 28, 1999

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Stockholders
Gartner Group, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-67576, No. 33-85926, No. 33-92486, No. 333-35169, No. 333-42587, No. 333-77015 and No. 333-77013) on Form S-8 of Gartner Group, Inc. of our reports dated October 28, 1999 relating to the consolidated balance sheets of Gartner Group, Inc. and subsidiaries as of September 30, 1999 and 1998, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three year period ended September 30, 1999, which report appears in the 1999 Annual Report on Form 10-K of Gartner Group, Inc. We also consent to incorporation by reference of our report on the related financial statement schedule included elsewhere herein.

/s/ KPMG LLP

St. Petersburg, Florida
December 21, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF GARTNER GROUP, INC. FOR THE PERIOD ENDED SEPTEMBER 30, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000
USD

12-MOS

	SEP-30-1999	
	OCT-01-1998	
	SEP-30-1999	
	1	88,894
		0
	286,985	
	4,938	
	0	
	432,184	142,472
	78,880	
	803,444	
473,621		0
0		0
		58
	74,428	
803,444		734,234
	734,234	289,053
	289,053	
	309,058	
	5,128	
	0	
	139,247	
	50,976	
88,271		0
	0	
		0
		0
	88,271	
	0.84	