# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2017**

**OR**

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

**Commission File Number 1-14443**

# Gartner, Inc.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 04-3099750<br>(I.R.S. Employer<br>Identification Number) |
| P.O. Box 10212<br>56 Top Gallant Road<br>Stamford, CT<br>(Address of principal executive offices) | 06902-7700<br>(Zip Code) |

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company (check one):

| | | |
|---|---|---|
| Large accelerated filer ☑ | Accelerated filer ☐ | Non-accelerated filer ☐ |
| | Smaller reporting company ☐ | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of April 30, 2017, 90,432,223 shares of the registrant's common shares were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GARTNER, INC.

Condensed Consolidated Balance Sheets

(Unaudited; in thousands, except per share data)

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,227,891 | $ 474,233 |
| Fees receivable, net of allowances of $7,900 and $7,400, respectively | 716,487 | 643,013 |
| Deferred commissions | 139,771 | 141,410 |
| Prepaid expenses and other current assets | 91,546 | 84,540 |
| Total current assets | 2,175,695 | 1,343,196 |
| Property, equipment and leasehold improvements, net | 126,419 | 121,606 |
| Goodwill | 855,330 | 738,453 |
| Intangible assets, net | 81,209 | 76,801 |
| Other assets | 126,647 | 87,279 |
| **Total Assets** | $ 3,365,300 | $ 2,367,335 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 331,828 | $ 440,771 |
| Deferred revenues | 1,109,162 | 989,478 |
| Current portion of long-term debt | 29,366 | 30,000 |
| Total current liabilities | 1,470,356 | 1,460,249 |
| Long-term debt, net of deferred financing fees | 1,599,331 | 664,391 |
| Other liabilities | 192,796 | 181,817 |
| **Total Liabilities** | 3,262,483 | 2,306,457 |
| **Stockholders' Equity** | | |
| Preferred stock, $.01 par value, 5,000,000 shares authorized; none issued or outstanding | — | — |
| Common stock, $.0005 par value, 250,000,000 shares authorized; 156,234,415 shares issued for both periods | 78 | 78 |
| Additional paid-in capital | 880,877 | 863,127 |
| Accumulated other comprehensive loss, net | (47,832) | (49,683) |
| Accumulated earnings | 1,680,439 | 1,644,005 |
| Treasury stock, at cost, 73,215,696 and 73,583,172 common shares, respectively | (2,410,745) | (2,396,649) |
| **Total Stockholders' Equity** | 102,817 | 60,878 |
| **Total Liabilities and Stockholders' Equity** | $ 3,365,300 | $ 2,367,335 |

See the accompanying notes to the condensed consolidated financial statements.

**GARTNER, INC.**

Condensed Consolidated Statements of Operations

(Unaudited; in thousands, except per share data)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Revenues: | | |
| Research | $ 504,652 | $ 440,271 |
| Consulting | 85,248 | 84,940 |
| Events | 35,269 | 32,055 |
| Total revenues | 625,169 | 557,266 |
| Costs and expenses: | | |
| Cost of services and product development | 237,609 | 212,041 |
| Selling, general and administrative | 304,244 | 257,411 |
| Depreciation | 10,240 | 8,834 |
| Amortization of intangibles | 6,290 | 6,183 |
| Acquisition and integration charges | 13,272 | 8,368 |
| Total costs and expenses | 571,655 | 492,837 |
| Operating income | 53,514 | 64,429 |
| Interest expense, net | (5,906) | (6,006) |
| Other income, net | 889 | 1,884 |
| Income before income taxes | 48,497 | 60,307 |
| Provision for income taxes | 12,064 | 15,320 |
| Net income | $ 36,433 | $ 44,987 |
| | | |
| Net income per share: | | |
| Basic | $ 0.44 | $ 0.55 |
| Diluted | $ 0.43 | $ 0.54 |
| Weighted average shares outstanding: | | |
| Basic | 82,835 | 82,451 |
| Diluted | 84,095 | 83,464 |

See the accompanying notes to the condensed consolidated financial statements.

**GARTNER, INC.**

Condensed Consolidated Statements of Comprehensive Income

(Unaudited; in thousands)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Net income | $ 36,433 | $ 44,987 |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustments | 4,371 | 2,068 |
| Interest rate swaps – net change in deferred loss | (2,568) | (7,133) |
| Pension – net change in deferred actuarial loss | 48 | 37 |
| Other comprehensive income (loss), net of tax | 1,851 | (5,028) |
| Comprehensive income | $ 38,284 | $ 39,959 |

See the accompanying notes to the condensed consolidated financial statements.

**GARTNER, INC.**

Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| ***Operating activities:*** | | |
| Net income | $ 36,433 | $ 44,987 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 16,530 | 15,017 |
| Stock-based compensation expense | 22,576 | 15,495 |
| Deferred taxes | (11,998) | (2,191) |
| Amortization and write-off of debt issuance costs | 468 | 411 |
| Changes in assets and liabilities: | | |
| Fees receivable, net | (57,919) | (19,089) |
| Deferred commissions | 3,002 | 7,047 |
| Prepaid expenses and other current assets | (5,315) | 8,205 |
| Other assets | (16,730) | 5,436 |
| Deferred revenues | 92,373 | 79,141 |
| Accounts payable, accrued, and other liabilities | (109,025) | (141,128) |
| ***Cash (used in) provided by operating activities*** | (29,605) | 13,331 |
| ***Investing activities:*** | | |
| Additions to property, equipment and leasehold improvements | (10,700) | (6,560) |
| Business acquisitions - cash paid (net of cash acquired) | (129,315) | (800) |
| ***Cash used in investing activities*** | (140,015) | (7,360) |
| ***Financing activities:*** | | |
| Proceeds from employee stock purchase plan | 3,022 | 2,580 |
| Proceeds from borrowings | 955,000 | 70,000 |
| Payments for debt issuance costs | (18,773) | — |
| Payments on borrowings | — | (5,000) |
| Purchases of treasury stock | (21,978) | (45,487) |
| ***Cash provided by financing activities*** | 917,271 | 22,093 |
| **Net increase in cash and cash equivalents** | 747,651 | 28,064 |
| **Effects of exchange rates on cash and cash equivalents** | 6,007 | 2,903 |
| **Cash and cash equivalents, beginning of period** | 474,233 | 372,976 |
| **Cash and cash equivalents, end of period** | $ 1,227,891 | $ 403,943 |

See the accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 — Business and Basis of Presentation

*Business.* Gartner, Inc. is the world's leading research and advisory company with its headquarters in Stamford, Connecticut. Gartner delivers its products and services globally through three business segments: Research, Consulting, and Events. When used in these notes, the terms “Gartner,” “Company,” “we,” “us,” or “our” refer to Gartner, Inc. and its consolidated subsidiaries.

*Basis of presentation*. The accompanying interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), as defined in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (“ASC”) Topic 270 for interim financial information and with the applicable instructions of the U.S. Securities & Exchange Commission (“SEC”) Rule 10-01 of Regulation S-X on Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of the Company filed in its Annual Report on Form 10-K for the year ended December 31, 2016. The fiscal year of Gartner is the twelve-month calendar period from January 1 through December 31. In the opinion of management, all normal recurring accruals and adjustments considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented herein have been included. The results of operations for the three months ended March 31, 2017 may not be indicative of the results of operations for the remainder of 2017 or beyond.

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

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

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

*Subsequent Event.* On April 5, 2017, the Company completed its previously announced acquisition of CEB Inc. ("CEB"). Note 14 — Subsequent Events provides information regarding the CEB acquisition.

*Impact of Stock-Based Compensation Accounting Rule Change*. In the third quarter of 2016, the Company early adopted FASB Accounting Standards Update No. 2016-09, "*Improvements to Employee Share-Based Payment Accounting"* ("ASU No. 2016-09"), which changed the accounting for stock-based compensation awards. The accounting changes required by ASU No. 2016-09 were applied to the beginning of the Company's 2016 fiscal year, and as a result certain previously reported financial results for the three months ended March 31, 2016 were revised. These changes included a $4.8 million increase in net income, and a $0.06 increase in each of basic earnings per share and diluted earnings per share. In addition, our previously reported operating cash flow for the three months ended March 31, 2016 increased by $4.8 million.

*Adoption of new accounting standards.* The Company did not adopt any new accounting standards in the first quarter of 2017.

*Accounting standards issued but not yet adopted.* The FASB has issued accounting standards that have not yet become effective and that may impact the Company’s consolidated financial statements or related disclosures in future periods. These standards and their potential impact are discussed below:

*Retirement Benefits Presentation* — In March 2017, the FASB issued ASU No. 2017-07, *"Compensation—Retirement Benefits"* ("ASU No. 2017-07"). ASU No. 2017-07 improves the reporting of net benefit cost in the financial statements, and provides additional guidance on the presentation of net benefit cost in the income statement and clarifies the components eligible for capitalization. ASU No. 2017-07 is effective for Gartner on January 1, 2018. We are currently evaluating the potential impact of ASU No. 2017-07 on the Company's consolidated financial statements.

*Defined Benefit Pension Plans Disclosure* — In February 2017, the FASB issued ASU No. 2017-06, *"Employee Benefit Plan Master Trust Reporting"* ("ASU No. 2017-06"). ASU No. 2017-06 clarifies presentation requirements for a plan’s interest in certain trust arrangements as well as other changes. ASU No. 2017-06 is effective for Gartner on January 1, 2019. We are currently evaluating the potential impact of ASU No. 2017-06 on the Company's consolidated financial statements.

*Accounting for Partial Sales of Non-financial Asset*s — In February 2017, the FASB issued ASU No. 2017-05, *"Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets"* ("ASU No. 2017-05"). ASU No. 2017-05 clarifies the scope of the FASB’s recently established guidance on non-financial asset de-recognition as well as the accounting for partial sales of non-financial assets. It conforms the de-recognition guidance on non-financial assets with the model for revenue transactions. ASU No. 2017-05 is effective for Gartner on January 1, 2018. We are currently evaluating the potential impact of ASU No. 2017-05 on the Company's consolidated financial statements.

*Simplifying the Test for Goodwill Impairment* — In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles—Goodwill and Other - Simplifying the Test for Goodwill Impairment*" ("ASU No. 2017-04"). ASU No. 2017-04 simplifies the determination of the amount of goodwill to be potentially charged off by eliminating Step 2 of the goodwill impairment test. ASU No. 2017-04 is effective for Gartner on January 1, 2020. We are currently evaluating the potential impact of ASU No. 2017-04 on the Company's consolidated financial statements.

*Business Combinations* — In January 2017, the FASB issued ASU No. 2017-01, *"Clarifying the Definition of a Business"* ("ASU No. 2017-01"), which is effective for Gartner on January 1, 2018. ASU No. 2017-01 changes the GAAP definition of a business which can impact the accounting for asset purchases, acquisitions, goodwill impairment, and other assessments. We are currently evaluating the impact of ASU No. 2017-01 on the Company's consolidated financial statements.

*Statement of Cash Flows* — In November 2016, the FASB issued ASU No. 2016-18, *"Restricted Cash"* ("ASU No. 2016-18"). ASU No. 2016-18 requires that amounts generally described as restricted cash and restricted cash equivalents be presented with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. If different, a reconciliation of the cash balances reported in the cash flow statement and the balance sheet would need to be provided along with explanatory information. ASU No. 2016-18 is effective for Gartner on January 1, 2018. We are currently evaluating the impact of ASU No. 2016-18 on the Company's consolidated financial statements.

*Income Taxes* — In October 2016, the FASB issued ASU No. 2016-16, *"Intra-Entity Transfers of Assets Other Than Inventory"* ("ASU No. 2016-16"). ASU No. 2016-16 accelerates the recognition of taxes on certain intra-entity transactions and is effective for Gartner on January 1, 2018. Current GAAP requires deferral of the income tax implications of an intercompany sale of assets until the assets are sold to a third party or recovered through use. Under the new rule, the seller’s tax effects and the buyer’s deferred taxes will be immediately recognized upon the sale. We have completed an initial evaluation of the impact of ASU No. 2016-16 and believe it could have a material impact on our consolidated financial statements depending on the nature and size of future intra-entity transfers.

*Statement of Cash Flows* — In August 2016, the FASB issued ASU No. 2016-15, *"Classification of Certain Cash Receipts and Cash Payments"* ("ASU No. 2016-15"). ASU No. 2016-15 sets forth classification requirements for certain cash flow transactions. ASU No. 2016-15 is effective for Gartner on January 1, 2018, but early adoption is permitted. We have completed an initial evaluation of the impact of ASU No. 2016-15 and we do not expect it will have a material impact on our consolidated financial statements.

*Financial Instrument Credit Losses* — In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses"* ("ASU No. 2016-13"). ASU No. 2016-13 amends the current financial instrument impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU No. 2016-13 is effective for Gartner on January 1, 2020, with early adoption permitted. We are currently evaluating the potential impact of ASU No. 2016-13 on our consolidated financial statements.

*Leases* — In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" ("ASU No. 2016-02") which will require significant changes in the accounting and disclosure for lease arrangements. Currently under U.S. GAAP, lease arrangements that meet certain criteria are considered operating leases and are not recorded on the balance sheet. All of the Company's existing lease arrangements are accounted for as operating leases and are thus not recorded on the Company's balance sheet. ASU No. 2016-02 will significantly change the accounting for leases since a right-of-use ("ROU") model must be used in which the lessee must record a ROU asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating arrangements, with classification affecting the pattern of expense recognition in the income statement. ASU No. 2016-02 also requires expanded disclosures about leasing arrangements. ASU No. 2016-02 will be effective for Gartner on January 1, 2019. We are currently evaluating the impact of ASU No. 2016-02 on our consolidated financial statements.

*Financial Instruments Recognition and Measurement* — In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments Overall - Recognition and Measurement of Financial Assets and Liabilities*" ("ASU No. 2016-01") to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among the significant changes required by ASU No. 2016-01 is that equity investments will be measured at fair value with changes in fair value recognized in net income. ASU No. 2016-01 will be effective for Gartner on January 1, 2018. We have completed an initial evaluation of the impact of ASU No. 2016-01 and we do not expect it will have a material impact on our consolidated financial statements but may require additional disclosures.

*Revenue* — In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" ("ASU No. 2014-09"). ASU No. 2014-09 and related amendments require changes in revenue recognition policies as well as enhanced disclosures. ASU No. 2014-09 is intended to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in existing revenue recognition rules; provide a more robust framework for addressing revenue recognition issues; improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and provide more useful information to users of financial statements through improved disclosures. The Company has completed an initial assessment of the impact of ASU No. 2014-09 on its existing revenue recognition policies and plans to adopt the rule on January 1, 2018 using the cumulative effect method of adoption. ASU No. 2014-09 also requires significantly expanded disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, which the Company is currently compiling. While the Company has not fully completed its assessment of the impact of ASU No. 2014-09, based on the analysis completed to date, the Company does not currently anticipate that the new rule will have a material impact on its consolidated financial statements.

The FASB also continues to work on a number of other significant accounting standards which if issued could materially impact the Company's accounting policies and disclosures in future periods. However, since these standards have not yet been issued, the effective dates and potential impact are unknown.

*Acquisitions.* The Company accounts for business acquisitions in accordance with the acquisition method of accounting as prescribed by FASB ASC Topic 805, *Business Combinations.* The acquisition method of accounting requires the Company to record the net assets and liabilities acquired based on their estimated fair values as of the acquisition date, with any excess of the consideration transferred over the estimated fair value of the net assets acquired, including identifiable intangible assets, to be recorded to goodwill. Under the acquisition method, the operating results of acquired companies are included in the Company's consolidated financial statements beginning on the date of acquisition.

Note 2 — Acquisitions

On March 9, 2017, the Company acquired 100% of the outstanding capital stock of L2, Inc., ("L2"), a privately-held firm based in New York City with 150 employees, for a total purchase price of $155.0 million. L2 is a subscription-based research business that benchmarks the digital performance of brands. The Company paid $134.2 million in cash at close; but net of cash acquired with the business and for cash flow reporting purposes, the Company paid $129.3 million in cash. In addition, the Company may also be required to pay up to an additional $20.8 million in cash contingent on the achievement of certain employment conditions by several key employees of L2, which will be recognized as compensation expense over approximately three years.

The Company recorded $124.7 million of goodwill and amortizable intangible assets for L2 and $9.5 million of other assets on a net basis. The operating results and the related goodwill are being reported as part of the Company's Research segment and goodwill resulting from the acquisition will not be deductible for tax purposes. The allocation of the purchase price is preliminary with respect to the valuation of finite-lived intangible assets, which the Company expects to complete in the second quarter of 2017. The Company believes the recorded goodwill is supported by the anticipated revenue synergies resulting from the acquisition. The Company's financial statements include the operating results of L2 beginning on its acquisition date, which were not material to either the Company's consolidated operating results or segment results for the first quarter of 2017. Had the Company acquired this business in prior periods, the impact to the Company's operating results for prior periods would not have been material, and as a result pro forma financial information for prior periods has not been presented.

Note 3 — Earnings per Share

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Numerator: | | |
| Net income used for calculating basic and diluted earnings per common share | $ 36,433 | $ 44,987 |
| Denominator: | | |
| Weighted average number of common shares used in the calculation of basic earnings per share | 82,835 | 82,451 |
| Common stock equivalents associated with stock-based compensation plans (1) | 1,260 | 1,013 |
| Shares used in the calculation of diluted earnings per share | 84,095 | 83,464 |
| Basic earnings per share | $ 0.44 | $ 0.55 |
| Diluted earnings per share | $ 0.43 | $ 0.54 |

(1) Certain common stock equivalents were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. These common share equivalents totaled less than 0.4 million in each of the periods presented.

Note 4 — Stock-Based Compensation

The Company grants stock-based compensation awards as an incentive for employees and directors to contribute to the Company's long-term success. The Company currently awards stock-settled stock appreciation rights, service-based and performance-based restricted stock units, and common stock equivalents. At March 31, 2017, the Company had a total of 5.5 million shares of its common stock, par value $.0005 per share (the "Common Stock"), available for stock-based compensation awards under its 2014 Long-Term Incentive Plan.

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

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

Stock-Based Compensation Expense

The Company recognized the following amounts of stock-based compensation expense by award type and expense category in the periods indicated (in millions):

| | Three Months Ended March 31, | |
|---|---|---|
| **Award type:** | **2017** | **2016** |
| Stock appreciation rights | $ 2.8 | $ 1.7 |
| Common stock equivalents | 0.2 | 0.2 |
| Restricted stock units | 19.6 | 13.6 |
| Total (1) | $ 22.6 | $ 15.5 |

| | Three Months Ended March 31, | |
|---|---|---|
| **Amount recorded in:** | **2017** | **2016** |
| Cost of services and product development | $ 9.3 | $ 7.6 |
| Selling, general and administrative | 13.3 | 7.9 |
| Total (1) | $ 22.6 | $ 15.5 |

(1) Includes charges of $14.5 million and $10.3 million for the three months ended March 31, 2017 and 2016, respectively, for awards to retirement-eligible employees since these awards vest on an accelerated basis.

As of March 31, 2017, the Company had $83.0 million of total unrecognized stock-based compensation cost, which is expected to be expensed over the remaining weighted-average service period of approximately 2.8 years.

Stock-Based Compensation Awards

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

*Stock Appreciation Rights*

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

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

The following table summarizes changes in SARs outstanding during the three months ended March 31, 2017:

| | Stock Appreciation Rights (SARS) (in millions) | Per Share Weighted-Average Exercise Price | Per Share Weighted-Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (Years) |
|---|---|---|---|---|
| Outstanding at December 31, 2016 | 1.3 | $ 66.22 | $ 15.77 | 4.40 |
| Granted | 0.3 | 99.07 | 22.02 | 6.85 |
| Exercised | — | — | — | n/a |
| Outstanding at March 31, 2017 (1), (2) | 1.6 | $ 73.16 | $ 17.02 | 4.78 |
| Vested and exercisable at March 31, 2017 (2) | 0.8 | $ 60.70 | $ 15.36 | 3.67 |

na=not applicable.

(1) As of March 31, 2017, 0.8 million of the SARs outstanding were unvested. The Company expects that substantially all of these unvested awards will vest in future periods.

(2) The total SARs outstanding as of March 31, 2017 had an intrinsic value of $54.2 million. SARs vested and exercisable had an intrinsic value of $36.4 million.

The fair value of the SARs is determined on the date of grant using the Black-Scholes-Merton valuation model with the following weighted-average assumptions:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Expected dividend yield (1) | —% | —% |
| Expected stock price volatility (2) | 22% | 22% |
| Risk-free interest rate (3) | 1.8% | 1.1% |
| Expected life in years (4) | 4.5 | 4.4 |

(1) The dividend yield assumption is based on the history and expectation of the Company's dividend payouts. Historically, the Company has not paid cash dividends on its Common Stock.

(2) The determination of expected stock price volatility was based on both historical Common Stock prices and implied volatility from publicly traded options in the Common Stock.

(3) The risk-free interest rate is based on the yield of a U.S. Treasury security with a maturity similar to the expected life of the award.

(4) The expected life represents the Company's weighted-average estimate of the period of time the SARs are expected to be outstanding (that is, period between the service inception date and the expected exercise date).

*Restricted Stock Units*

Restricted stock units (RSUs) give the awardee the right to receive shares of Common Stock when the vesting conditions are met and the restrictions lapse, and each RSU that vests entitles the awardee to one common share. RSU awardees do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until the shares are released. The fair value of RSUs is determined on the date of grant based on the closing price of the Common Stock as reported by the New York Stock Exchange on that date. Service-based RSUs vest ratably over four years and are expensed on a straight-line basis over four years. Performance-based RSUs are subject to the satisfaction of both performance and service conditions, vest ratably over four years, and are expensed on an accelerated basis.

The following table summarizes the changes in RSUs outstanding during the three months ended March 31, 2017:

| | Restricted Stock Units (RSUs) (in millions) | Per Share Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at December 31, 2016 | 1.3 | $ 73.19 |
| Granted (1) | 0.5 | 99.14 |
| Vested and released | (0.5) | 68.11 |
| Forfeited | — | 81.85 |
| Outstanding at March 31, 2017 (2), (3) | 1.3 | $ 84.40 |

(1) The 0.5 million RSUs granted consisted of 0.2 million performance-based RSUs awarded to executives and 0.3 million service-based RSUs awarded to non-executive employees. The 0.2 million of performance-based RSUs represents the target amount of the grant for the year, which is tied to an increase in the Company's total contract value for 2017. The final number of performance-based RSUs that will ultimately be awarded for 2017 ranges from 0% to 200% of the target amount, with the final number dependent on the actual increase in total contract value for 2017 as measured on December 31, 2017. If the specified minimum level of achievement is not met, the performance-based RSUs will be forfeited in their entirety, and any compensation expense previously recorded will be reversed.

(2) The Company expects that substantially all of the outstanding awards will vest in future periods.

(3) The weighted-average remaining contractual term of the outstanding RSUs is approximately 1.8 years.

*Common Stock Equivalents*

Common stock equivalents (CSEs) are convertible into Common Stock and each CSE entitles the holder to one common share. Members of our Board of Directors receive directors' fees payable in CSEs unless they opt to receive up to 50% of the fees in cash. Generally, the CSEs have no defined term and are converted into common shares when service as a director terminates unless the director has elected an accelerated release. The fair value of the CSEs awarded is determined on the date of grant based on the closing price of the Common Stock as reported by the New York Stock Exchange on that date. CSEs vest immediately and as a result are recorded as expense on the date of grant.

The following table summarizes the changes in CSEs outstanding during the three months ended March 31, 2017:

| | Common Stock Equivalents (CSEs) | Per Share Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at December 31, 2016 | 107,338 | $ 20.74 |
| Granted | 1,592 | 108.95 |
| Converted to common shares upon grant | (1,161) | 108.95 |
| Outstanding at March 31, 2017 | 107,769 | $ 21.09 |

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (the "ESP Plan") under which eligible employees are permitted to purchase Common Stock through payroll deductions, which may not exceed 10% of an employee's compensation (or $23,750 in any calendar year), at a price equal to 95% of the closing price of the Common Stock as reported by the New York Stock Exchange at the end of each offering period. At March 31, 2017, the Company had 0.9 million shares available for purchase under the ESP Plan. The ESP Plan is considered non-compensatory under FASB ASC Topic 718, and as a result the Company does not record stock-based compensation expense for employee share purchases. The Company received $3.0 million and $2.6 million in cash from purchases under the ESP Plan during the three months ended March 31, 2017 and 2016, respectively.

Note 5 — Segment Information

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

The Company evaluates segment performance and allocates resources based on gross contribution margin. Gross contribution, as presented in the table below, is defined as operating income excluding certain Cost of services and product development expenses, Selling, general and administrative expenses, Depreciation, Amortization of intangibles, and Acquisition and integration charges. Certain bonus and fringe benefit costs included in consolidated Cost of services and product development are not allocated to segment expense. The accounting policies used by the reportable segments are the same as those used by the Company. There are no intersegment revenues. The Company does not identify or allocate assets, including capital expenditures, by reportable segment. Accordingly, assets are not reported by segment because the information is not available by segment and is not reviewed in the evaluation of segment performance or in making decisions in the allocation of resources.

The following tables present operating information about the Company’s reportable segments for the periods indicated (in thousands):

| **Three Months Ended March 31, 2017** | **Research** | **Consulting** | **Events** | **Consolidated** |
|---|---|---|---|---|
| Revenues | $ 504,652 | $ 85,248 | $ 35,269 | $ 625,169 |
| Gross contribution | 346,708 | 28,342 | 13,567 | 388,617 |
| Corporate and other expenses | | | | (335,103) |
| Operating income | | | | $ 53,514 |

| **Three Months Ended March 31, 2016** | **Research** | **Consulting** | **Events** | **Consolidated** |
|---|---|---|---|---|
| Revenues | $ 440,271 | $ 84,940 | $ 32,055 | $ 557,266 |
| Gross contribution | 308,186 | 29,378 | 12,983 | 350,547 |
| Corporate and other expenses | | | | (286,118) |
| Operating income | | | | $ 64,429 |

The following table provides a reconciliation of total segment gross contribution to net income for the periods indicated (in thousands):

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2017** | **2016** |
| Total segment gross contribution | $ 388,617 | $ 350,547 |
| Costs and expenses: | | |
| Cost of services and product development - unallocated (1) | 1,057 | 5,322 |
| Selling, general and administrative | 304,244 | 257,411 |
| Depreciation and amortization | 16,530 | 15,017 |
| Acquisition and integration charges | 13,272 | 8,368 |
| Operating income | 53,514 | 64,429 |
| Interest expense and other, net | 5,017 | 4,122 |
| Provision for income taxes | 12,064 | 15,320 |
| Net income | $ 36,433 | $ 44,987 |

(1) The unallocated amounts consist of certain bonus and related fringe costs recorded in Consolidated cost of services and product development expense that are not allocated to segment expense. The Company's policy is to only allocate bonus and related fringe charges to segments for up to 100% of the segment employee's target bonus. Amounts above 100% are absorbed by corporate.

Note 6 — Goodwill and Intangible Assets

*Goodwill*

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair values of the tangible and identifiable intangible net assets acquired. The evaluation of the recoverability of goodwill is performed in accordance with FASB ASC Topic 350, which requires an annual assessment of potential goodwill impairment at the reporting unit level and whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The annual assessment of the recoverability of recorded goodwill can be based on either a qualitative or quantitative assessment or a combination of the two. Both methods utilize estimates which, in turn, require judgments and assumptions regarding future trends and events. As a result, both the precision and reliability of the resulting estimates are subject to uncertainty. In connection with its most recent annual impairment test of goodwill performed during the quarter ended September 30, 2016, the Company utilized the qualitative approach in assessing the fair values of its reporting units relative to their respective carrying values, which indicated no impairment of recorded goodwill.

The following table presents changes to the carrying amount of goodwill by reportable segment during the three months ended March 31, 2017 (in thousands):

| | Research | Consulting | Events | Total |
|---|---|---|---|---|
| Balance, December 31, 2016 (1) | $ 595,450 | $ 96,480 | $ 46,523 | $ 738,453 |
| Additions due to acquisitions (2) | 114,222 | — | — | 114,222 |
| Foreign currency translation adjustments | 2,376 | 197 | 82 | 2,655 |
| Balance, March 31, 2017 | $ 712,048 | $ 96,677 | $ 46,605 | $ 855,330 |

(1) The Company does not have any accumulated goodwill impairment losses.

(2) The addition to goodwill was due to the acquisition of L2 in March 2017.

*Finite-Lived Intangible Assets*

The following tables present reconciliations of the carrying amounts of the Company's finite-lived intangible assets as of the dates indicated (in thousands):

| March 31, 2017 | Trade Names | Customer Relationships | Content | Software | Non-Compete | Total |
|---|---|---|---|---|---|---|
| Gross cost | $ 4,337 | $ 63,369 | $ 3,728 | $ 16,025 | $ 29,308 | $ 116,767 |
| Additions due to acquisition (1) | 500 | 9,000 | — | 1,000 | — | 10,500 |
| Foreign currency translation impact | 20 | 190 | 37 | 42 | 25 | 314 |
| Gross cost | 4,857 | 72,559 | 3,765 | 17,067 | 29,333 | 127,581 |
| Accumulated amortization (2), (3) | (2,046) | (19,469) | (2,521) | (10,266) | (12,070) | (46,372) |
| Balance, March 31, 2017 | $ 2,811 | $ 53,090 | $ 1,244 | $ 6,801 | $ 17,263 | $ 81,209 |

| December 31, 2016 | Trade Names | Customer Relationships | Content | Software | Non-Compete | Total |
|---|---|---|---|---|---|---|
| Gross cost | $ 4,337 | $ 63,369 | $ 3,728 | $ 16,025 | $ 29,308 | $ 116,767 |
| Accumulated amortization (2), (3) | (1,737) | (16,744) | (2,033) | (8,904) | (10,548) | (39,966) |
| Balance, December 31, 2016 | $ 2,600 | $ 46,625 | $ 1,695 | $ 7,121 | $ 18,760 | $ 76,801 |

(1) The additions are due to the acquisition of L2 in March 2017.

(2) Intangible assets are amortized against earnings over the following periods: Trade names—2 to 4 years; Customer relationships—4 to 8 years; Content—1.5 to 2 years; Software—3 years; Non-compete—3 to 5 years.

(3) Aggregate amortization expense related to intangible assets was $6.3 million and $6.2 million for the three months ended March 31, 2017 and 2016, respectively.

The estimated future amortization expense by year from finite-lived intangibles will be as follows (in thousands):

| | | |
|---|---|---|
| 2017 (remaining nine months) | $ | 18,508 |
| 2018 | | 21,836 |
| 2019 | | 16,624 |
| 2020 | | 14,116 |
| 2021 | | 6,533 |
| Thereafter | | 3,592 |
| | $ | 81,209 |

Note 7 — Debt

*2016 Credit Agreement*

The Company entered into the 2016 Credit Agreement on June 17, 2016, which provided for a $600.0 million Term loan A facility and a $1.2 billion revolving credit facility. As of March 31, 2017, the Company had $585.0 million outstanding under the Term loan A facility and $270.0 million of outstanding revolver loans under the 2016 Credit Agreement.

The 2016 Credit Agreement contains certain customary restrictive loan covenants, including, among others, financial covenants that apply a maximum leverage ratio and a minimum interest expense coverage ratio, and covenants limiting Gartner's ability to incur indebtedness, grant liens, make acquisitions, merge, dispose of assets, pay dividends, repurchase stock, make investments and enter into certain transactions with affiliates. The Company was in full compliance with the loan covenants as of March 31, 2017. As discussed below, the 2016 Credit Agreement was amended twice in the first quarter of 2017 to permit the acquisition of CEB and the incurrence of additional debt, as well as to extend the maturity date of the Term loan A facility and revolving credit facility through March 20, 2022 and to revise the interest rate and repayment schedule.

On January 20, 2017, the Company entered into a First Amendment of the 2016 Credit Agreement, which was entered into to permit the acquisition of CEB and the incurrence of additional debt to finance, in part, the acquisition and repay certain debt of CEB, and to modify certain covenants. On March 20, 2017, the Company entered into a Second Amendment of the 2016 Credit Agreement. The Second Amendment was also entered into in connection with the acquisition of CEB and was executed primarily to extend the maturity date of the Term loan A facility and revolving credit facility through March 20, 2022 and to revise the interest rate and amortization schedule. The Term loan A facility will be repaid in 16 consecutive quarterly installments commencing on June 30, 2017, plus a final payment to be made on March 20, 2022. The revolving credit facility may be borrowed, repaid, and re-borrowed through March 20, 2022, at which time all amounts must be repaid. Loans will bear interest at a rate equal to, at the Company's option, either:

(i) the greatest of: (x) the Administrative Agent's prime rate; (y) the average rate on Federal Reserve Board of New York rate plus 1/2 of 1%; and (z) the eurodollar rate (adjusted for statutory reserves) plus 1%, in each case plus a margin equal to between 0.125% and 1.50% depending on Gartner's consolidated leverage ratio as of the end of the four consecutive fiscal quarters most recently ended, or

(ii) the eurodollar rate (adjusted for statutory reserves) plus a margin equal to between 1.125% and 2.50%, depending on Gartner's leverage ratio as of the end of the four consecutive fiscal quarters most recently ended.

*$800.0 million Principal Amount Senior Notes*

On March 30, 2017, in conjunction with the acquisition of CEB, the Company issued $800.0 million aggregate principal amount of 5.125% Senior Notes due 2025 (the "Senior Notes"). The Senior Notes were issued at an issue price of 100.00% and bear interest at a fixed rate of 5.125% per annum. Interest on the Senior Notes is payable on April 1 and October 1 of each year, beginning on October 1, 2017.

The Senior Notes will mature on April 1, 2025. The Company may redeem some or all of the Senior Notes at any time on or after April 1, 2020 for cash at the redemption prices set forth in the Note Indenture, plus accrued and unpaid interest to, but not including, the redemption date. Prior to April 1, 2020, the Company may redeem up to 40% of the aggregate principal amount of the Senior Notes with the proceeds of certain equity offerings at a redemption price of 105.125% plus accrued and unpaid interest to, but not including, the redemption date. In addition, the Company may redeem some or all of the Senior Notes prior to April 1, 2020, at a redemption price of 100% of the principal amount of the Senior Notes plus accrued and unpaid interest to, but not including, the redemption date, plus a “make-whole” premium. If the Company experiences specific kinds of change of control, it will be required to offer to purchase the Senior Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. The Senior Notes are the Company’s general unsecured senior obligations, and are effectively subordinated to all of the Company’s existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, structurally subordinated to all existing and future indebtedness and other liabilities of the Company’s non-guarantor subsidiaries, equal in right of payment to all of the Company’s and Company’s guarantor subsidiaries’ existing and future senior indebtedness and senior in right of payment to all of the Company’s future subordinated indebtedness, if any.

*Acquisition of CEB*

On April 5, 2017, the Company completed the CEB acquisition and borrowed in total approximately $2.8 billion to complete the transaction, including the Senior Notes discussed above. The Company also entered into a third amendment to the 2016 Credit Agreement in conjunction with and on the same date as the CEB acquisition. The Company's total indebtedness after the close of the CEB acquisition was approximately $3.6 billion. Note 14 — Subsequent Events provides additional information regarding the CEB acquisition and the third amendment to the 2016 Credit Agreement.

*Outstanding Borrowings March 31, 2017*

The following table summarizes the Company’s total outstanding borrowings (in thousands):

| **Description:** | **Balance March 31, 2017** | **Balance December 31, 2016** |
|---|---|---|
| 2016 Credit Agreement - Term loan A facility (1) | $ 585,000 | $ 585,000 |
| 2016 Credit Agreement - Revolving credit facility (1), (2) | 270,000 | 115,000 |
| Senior Notes, $800.0 million principal amount (3) | 800,000 | — |
| Other (4) | 2,500 | 2,500 |
| Subtotal (5) | 1,657,500 | 702,500 |
| Less: deferred financing fees (6) | (28,803) | (8,109) |
| Net carrying amount (7) | $ 1,628,697 | $ 694,391 |

(1) The contractual annualized interest rate as of March 31, 2017 on both the Term loan A facility and revolving credit facility was 2.23%, which consisted of a floating eurodollar base rate of 0.98% plus a margin of 1.25%. However, the Company has interest rate swap contracts, accounted for as cash flow hedges, which effectively convert the floating eurodollar base rates to a fixed base rate.

(2) The Company had $927.0 million of available borrowing capacity on the revolver (not including the expansion feature) as of March 31, 2017.

(3) Consists of $800.0 million principal amount of Senior Notes outstanding, which the Company issued on March 30, 2017 to finance in part the CEB acquisition. The Senior Notes pay a fixed rate of 5.125% and have an eight year maturity.

(4) Consists of a $2.5 million State of Connecticut economic development loan with a 3.00% fixed rate of interest. The loan was originated in 2012 and has a 10 year maturity. Principal payments are deferred for the first five years and the loan may be repaid at any point by the Company without penalty.

(5) The average annual effective rate on the Company's total debt outstanding for the three months ended March 31, 2017, including the effect of its interest rate swaps discussed below, was approximately 2.89%.

(6) The deferred financing fees are being amortized to Interest Expense, net over the term of the respective debt obligation.

(7) On April 5, 2017, the Company completed the acquisition of CEB. The Company had approximately $3.6 billion in total debt outstanding after the close of the acquisition. Note 14 — Subsequent Events provides additional information regarding the CEB acquisition and the additional amounts borrowed.

*Interest Rate Swaps*

The Company has fixed-for-floating interest rate swap contracts which it designates as accounting hedges of the forecasted interest payments on the Company's variable rate borrowings. The Company pays base fixed rates on the swaps and in return receives a floating eurodollar base rate on 30 day notional borrowings. The Company accounts for the interest rate swaps as cash flow hedges in accordance with FASB ASC Topic 815. Since the swaps hedge forecasted interest payments, changes in the fair value of the swaps are recorded in accumulated other comprehensive income (loss), a component of equity, as long as the swaps continue to be highly effective hedges of the designated interest rate risk. Any ineffective portion of change in the fair value of the hedges is recorded in earnings. All of the swaps were highly effective hedges of the forecasted interest payments as of March 31, 2017. The interest rate swaps had a total negative fair value (liability) to the Company of $6.6 million at March 31, 2017, which is deferred and recorded in Accumulated other comprehensive loss, net of tax effect.

Note 8 — Equity

*Share Repurchase Program*

The Company has a $1.2 billion board approved authorization to repurchase the Company's common stock, of which $1.1 billion remained available as of March 31, 2017. The Company may repurchase its common stock from time to time in amounts and at prices the Company deems appropriate, subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance and other conditions. Repurchases may be made through open market purchases, private transactions or other transactions and will be funded from cash on hand and borrowings under the Company's credit arrangement.

The Company's recent share repurchase activity is presented in the following table:

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2017** | **2016** |
| Number of shares repurchased (1) | 218,752 | 466,823 |
| Cash paid for repurchased shares (in thousands) (2) | $ 21,978 | $ 45,487 |

(1) The average purchase price for repurchased shares was $100.47 and $82.02 for the three months ended March 31, 2017 and 2016, respectively.

(2) The cash paid for the three months ended March 31, 2016 included $7.2 million for share repurchases that were executed in late December 2015 and were settled in early January 2016.

*Acquisition of CEB*

On April 5, 2017, the Company completed the CEB acquisition and issued 7.4 million common shares. Note 14 — Subsequent Events provides additional information regarding the CEB acquisition.

*Accumulated Other Comprehensive (Loss) Income ("AOCL/I")*

The following tables disclose information about changes in AOCL/I by component and the related amounts reclassified out of AOCL/I to income during the periods indicated (net of tax, in thousands) (1):

For the three months ended March 31, 2017:

| | Interest Rate Swaps | Defined Benefit Pension Plans | Foreign Currency Translation Adjustments | Total |
|---|---|---|---|---|
| Balance - December 31, 2016 | $ (1,409) | $ (5,797) | $ (42,477) | $ (49,683) |
| Changes during the period: | | | | |
| Change in AOCL/I before reclassifications to income | (3,393) | — | 4,371 | 978 |
| Reclassifications from AOCL/I to income during the period (2), (3) | 825 | 48 | — | 873 |
| Other comprehensive (loss) income for the period | (2,568) | 48 | 4,371 | 1,851 |
| Balance – March 31, 2017 | $ (3,977) | $ (5,749) | $ (38,106) | $ (47,832) |

For the three months ended March 31, 2016:

| | Interest Rate Swaps | Defined Benefit Pension Plans | Foreign Currency Translation Adjustments | Total |
|---|---|---|---|---|
| Balance – December 31, 2015 | $ (3,079) | $ (4,832) | $ (36,491) | $ (44,402) |
| Changes during the period: | | | | |
| Change in AOCL/I before reclassifications to income | (8,357) | — | 2,068 | (6,289) |
| Reclassifications from AOCL/I to income during the period (2), (3) | 1,224 | 37 | — | 1,261 |
| Other comprehensive (loss) income for the period | (7,133) | 37 | 2,068 | (5,028) |
| Balance – March 31, 2016 | $ (10,212) | $ (4,795) | $ (34,423) | $ (49,430) |

(1) Amounts in parentheses represent debits (deferred losses).

(2) The reclassifications related to interest rate swaps (cash flow hedges) were recorded in Interest expense, net of tax effect. See Note 10 – Derivatives and Hedging for information regarding the hedges.

(3) The reclassifications related to defined benefit pension plans were recorded in Selling, general and administrative expense, net of tax effect. See Note 12 – Employee Benefits for information regarding the Company's defined benefit pension plans.

Note 9 — Income Taxes

The provision for income taxes was $12.1 million for the three months ended March 31, 2017 compared to $15.3 million in the three months ended March 31, 2016. The effective income tax rate was 24.9% for the three months ended March 31, 2017 and 25.4% for the same period in 2016. The quarter-over-quarter decrease in the effective income tax rate was primarily attributable to an increase in stock-based compensation benefits partially offset by an increase in unrecognized tax benefits.

As of March 31, 2017 and December 31, 2016, the Company had gross unrecognized tax benefits of $42.6 million and $37.1 million, respectively. It is reasonably possible that gross unrecognized tax benefits will decrease by approximately $3.8 million within the next 12 months, due to the anticipated closure of audits and the expiration of certain statutes of limitation.

In July 2015, the United States Tax Court (the "Court") issued an opinion relating to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement. In its opinion, the Court held that affiliated companies may exclude stock-based compensation expense from their cost-sharing arrangement. The Internal Revenue Service is appealing the decision. Because of uncertainty related to the final resolution of this litigation and the recognition of potential benefits to the Company, the Company has not recorded any financial statement benefit associated with this decision. The Company will monitor developments related to this case and the potential impact of those developments on the Company's consolidated financial statements.

Note 10 — Derivatives and Hedging

The Company enters into a limited number of derivative contracts to mitigate the cash flow risk associated with changes in interest rates on variable rate debt and changes in foreign exchange rates on forecasted foreign currency transactions. The Company accounts for its outstanding derivative contracts in accordance with FASB ASC Topic 815, which requires all derivatives, including derivatives designated as accounting hedges, to be recorded on the balance sheet and recognized at fair value. The following tables provide information regarding the Company's outstanding derivatives contracts as of the dates indicated (in thousands, except for number of outstanding contracts):

**March 31, 2017**

| **Derivative Contract Type** | **Number of Outstanding Contracts** | **Notional Amounts** | **Fair Value Asset (Liability), Net** (3) | **Balance Sheet Line Item** | **Unrealized Loss Recorded in OCI** |
|---|---|---|---|---|---|
| Interest rate swaps (1) | 5 | $ 1,400,000 | $ (6,630) | Other liabilities | (3,977) |
| Foreign currency forwards (2) | 23 | 45,425 | (159) | Accrued liabilities | — |
| Total | 28 | $ 1,445,425 | $ (6,789) | | (3,977) |

**December 31, 2016**

| **Derivative Contract Type** | **Number of Outstanding Contracts** | **Notional Amounts** | **Fair Value Asset (Liability), Net** (3) | **Balance Sheet Line Item** | **Unrealized Loss Recorded in OCI** |
|---|---|---|---|---|---|
| Interest rate swaps (1) | 3 | $ 700,000 | $ (2,349) | Other liabilities | $ (1,409) |
| Foreign currency forwards (2) | 84 | 86,946 | (320) | Accrued liabilities | — |
| Total | 87 | $ 786,946 | $ (2,669) | | $ (1,409) |

(1) The swaps have been designated and are accounted for as cash flow hedges of the forecasted interest payments on borrowings. As a result, changes in fair value of the swaps are deferred and are recorded in AOCL/I, net of tax effect (see Note 7 — Debt for additional information).

(2) The Company has foreign exchange transaction risk since it typically enters into transactions in the normal course of business that are denominated in foreign currencies that differ from the local functional currency. The Company enters into short-term foreign currency forward exchange contracts to mitigate the cash flow risk associated with changes in foreign currency rates on forecasted foreign currency transactions. These contracts are accounted for at fair value with realized and unrealized gains and losses recognized in Other expense, net since the Company does not designate these contracts as hedges for accounting purposes. All of the contracts outstanding at March 31, 2017 matured by the end of April 2017.

(3) See Note 11 — Fair Value Disclosures for the determination of the fair value of these instruments.

At March 31, 2017, all of the Company's derivative counterparties were investment grade financial institutions. The Company did not have any collateral arrangements with its derivative counterparties, and none of the derivative contracts contained credit-risk related contingent features. The following table provides information regarding amounts recognized in the Condensed Consolidated Statements of Operations for derivative contracts for the periods indicated (in thousands):

| | **Three Months Ended March 31,** | |
|---|---|---|
| **Amount recorded in:** | **2017** | **2016** |
| Interest expense, net (1) | $ 1,375 | $ 1,987 |
| Other expense, net (2) | 219 | 335 |
| Total expense, net | $ 1,594 | $ 2,322 |

(1) Consists of interest expense from interest rate swap contracts.

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

Note 11 — Fair Value Disclosures

The Company's financial instruments include cash equivalents, fees receivable from customers, accounts payable, and accruals which are normally short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximate their fair value due to their short-term nature. The Company's financial instruments also include its outstanding borrowings. The Company believes the carrying amount of the outstanding borrowings reasonably approximates their fair value since the rate of interest on these borrowings reflect current market rates of interest for similar instruments with comparable maturities.

The Company enters into a limited number of derivatives transactions but does not enter into repurchase agreements, securities lending transactions, or master netting arrangements. Receivables or payables that result from derivatives transactions are recorded gross in the Condensed Consolidated Balance Sheets.

FASB ASC Topic 820 provides a framework for the measurement of fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of assets and liabilities. Classification within the hierarchy is based upon the lowest level of input that is significant to the resulting fair value measurement. The valuation hierarchy contains three levels. Level 1 measurements consist of quoted prices in active markets for identical assets or liabilities. Level 2 measurements include significant other observable inputs such as quoted prices for similar assets or liabilities in active markets; identical assets or liabilities in inactive markets; observable inputs such as interest rates and yield curves; and other market-corroborated inputs. Level 3 measurements include significant unobservable inputs, such as internally-created valuation models. The Company does not currently utilize Level 3 valuation inputs to remeasure any of its assets or liabilities. However, level 3 inputs may be used by the Company in its required annual impairment review of recorded goodwill. Information regarding the periodic assessment of the Company's goodwill is included in Note 6 — Goodwill and Intangible Assets. The Company does not typically transfer assets or liabilities between different levels of the fair value hierarchy.

The Company's assets and liabilities that are remeasured to fair value are presented in the following table (in thousands):

| **Description:** | **Fair Value March 31, 2017** | **Fair Value December 31, 2016** |
|---|---|---|
| Assets: | | |
| Values based on Level 1 inputs: | | |
| Deferred compensation plan assets (1) | $ 11,211 | $ 10,247 |
| Total Level 1 inputs | 11,211 | 10,247 |
| Values based on Level 2 inputs: | | |
| Deferred compensation plan assets (1) | 29,174 | 27,847 |
| Foreign currency forward contracts (2) | 39 | 165 |
| Total Level 2 inputs | 29,213 | 28,012 |
| Total Assets | $ 40,424 | $ 38,259 |
| Liabilities: | | |
| Values based on Level 2 inputs: | | |
| Deferred compensation plan liabilities (1) | $ 45,595 | $ 43,075 |
| Foreign currency forward contracts (2) | 198 | 485 |
| Interest rate swap contracts (3) | 6,630 | 2,349 |
| Total Level 2 inputs | 52,423 | 45,909 |
| Total Liabilities | $ 52,423 | $ 45,909 |

(1) The Company has a deferred compensation plan for the benefit of certain highly compensated officers, managers and other key employees. The assets consist of investments in money market and mutual funds, and company-owned life insurance contracts, all of which are valued based on Level 1 or Level 2 valuation inputs. The related deferred compensation plan liabilities are recorded at fair value, or the estimated amount needed to settle the liability, which the Company considers to be a Level 2 input.

(2) The Company enters into foreign currency forward exchange contracts to hedge the effects of adverse fluctuations in foreign currency exchange rates. Valuation of the foreign currency forward contracts is based on observable foreign currency exchange rates in active markets, which the Company considers a Level 2 input.

(3) The Company has interest rate swap contracts which hedge the risk of variability from interest payments on its borrowings (see Note 7 — Debt). The fair value of the swaps is based on mark-to-market valuations prepared by a third-party broker. The valuations are based on observable interest rates from recently executed market transactions and other observable market data, which the Company considers Level 2 inputs. The Company independently corroborates the reasonableness of the valuations prepared by the third-party broker through the use of an electronic quotation service.

Note 12 — Employee Benefits

*Defined-Benefit Pension Plans*

The Company has defined-benefit pension plans in several of its international locations. Benefits paid under these plans are based on years of service and level of employee compensation. The Company's defined-benefit pension plans are accounted for in accordance with FASB ASC Topics 715 and 960. Net periodic pension expense was $0.7 million for both the three months ended March 31, 2017 and March 31, 2016.

Note 13 — Commitments and Contingencies

*Contingencies*

The Company is involved in legal proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position, cash flows, or results of operations when resolved in a future period.

The Company has various agreements that may obligate us to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of the Company's obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of March 31, 2017, the Company did not have any material payment obligations under any such indemnification agreements.

Note 14 — Subsequent Event

On April 5, 2017, the Company completed the previously announced acquisition of CEB. Gartner acquired all of the outstanding shares of CEB in a cash and stock transaction with a total enterprise value of approximately $3.5 billion gross. Gartner paid $2.7 billion in cash at close and issued 7.4 million of its common shares.

The Company borrowed approximately $2.8 billion in conjunction with the acquisition, which included $800.0 million of principal amount Senior Notes (see Note 7 — Debt) issued on March 30, 2017; approximately $1.7 billion borrowed on April 5, 2017 under the 2016 Credit Agreement, which was amended for a third time on April 5, 2017; and $300.0 million borrowed under a 364-day Bridge Credit Facility, entered into on April 5, 2017. The Company had $3.6 billion in total debt outstanding after the close of the acquisition. The third amendment to the 2016 Credit Agreement and the 364-day Bridge Credit Facility, and the amounts borrowed under those borrowing arrangements in conjunction with the acquisition, are discussed in more detail below.

*Third Amendment to the 2016 Credit Agreement*

On April 5, 2017, in conjunction with the closing of the CEB acquisition, the Company entered into a third amendment to the 2016 Credit Agreement with its lenders (the "Incremental Amendment"). The Incremental Amendment increased the aggregate principal amount of the existing Term loan A facility by $900.0 million and added a new incremental Term loan B facility in an aggregate principal amount of $500.0 million. Immediately upon entry into the Incremental Amendment, the Company drew down $900.0 million under the increased Term loan A facility and $500.0 million under the new Term loan B facility and made an additional draw of $275.0 million on its existing revolving credit facility. Along with the funds raised through the issuance of the Senior Notes and the 364-Bridge Credit Facility, the amounts drawn under the 2016 Credit Agreement were used to fund the cash paid for the CEB acquisition.

The additional amount drawn under the Term loan A facility has the same maturity date and is subject to the same interest, repayment terms, amortization schedules, representations and warranties, affirmative and negative covenants and events of default as the amounts outstanding under such facility prior to entry by the Company into the Incremental Amendment.

The Term loan B facility contains representations and warranties, affirmative and negative covenants and events of default that are the same as the Term loan A facility and revolving credit facility, except that a breach of financial maintenance covenants will not result in an event of default under the Term loan B facility unless the lenders under the revolving credit facility and Term loan A facility have accelerated the revolving loans and Term loan A loans and terminated their commitments thereunder. Additionally, the Term loan B facility includes mandatory prepayment requirements related to asset sales (subject to reinvestment), debt incurrence (other than permitted debt) and excess cash flow, subject to certain limitations described therein. Any voluntary prepayment of the Term loan B facility made in connection with a repricing transaction in the first six months following April 5, 2017 will be subject to a 1.00% prepayment premium. The Term loan B facility will mature on April 5, 2024 and amounts outstanding thereunder will bear interest at a rate per annum equal to, at the option of Gartner, (i) adjusted LIBOR plus 2.00% or (ii) an alternate base rate plus 1.00%.

*364-day Bridge Credit Facility*

Also on April 5, 2017, and in connection with the closing of the CEB acquisition, the Company entered into a senior unsecured 364-day Bridge Credit Facility in an aggregate principal amount of $300.0 million, which amount was immediately drawn by the Company to fund a portion of the costs associated with the acquisition. The 364-day Bridge Credit Facility will mature on the 364th day after the closing date of the acquisition. Amounts outstanding under the 364-day Bridge Credit Facility will bear interest at a rate per annum equal to, at the option of the Company: (i) adjusted LIBOR plus 2.75% or (ii) an alternate base rate plus 1.75%, with the margins on both increasing by0.25% 180 days after the closing date and an additional 0.25% each 90 days thereafter. The 364-day Bridge Credit Facility contains representations and warranties, affirmative and negative covenants and events of default that are substantially the same as in the 2016 Credit Agreement. Additionally, the 364-Day Bridge Credit Facility includes mandatory prepayment requirements related to the receipt by the Company of repatriated funds from its foreign subsidiaries, subject to certain exceptions and reduced by any taxes payable or reasonably estimated by the Company to be payable upon such repatriation and proceeds from certain debt and equity issuances.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of the following Management's Discussion and Analysis ("MD&A") is to help facilitate the understanding of significant factors influencing the quarterly operating results, financial condition and cash flows of Gartner, Inc. Additionally, the MD&A also conveys our expectations of the potential impact of known trends, events or uncertainties that may impact future results. You should read this discussion in conjunction with our condensed consolidated financial statements and related notes included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K"). Historical results and percentage relationships are not necessarily indicative of operating results for future periods. References to "Gartner," the "Company," "we," "our," and "us" in this MD&A are to Gartner, Inc. and its consolidated subsidiaries.

*Acquisition of CEB, Inc.*

On April 5, 2017, after the close of our first quarter, the Company completed its previously announced acquisition of CEB, Inc. ("CEB"). Note 14 — Subsequent Events in the Notes to the Condensed Consolidated Financial Statements provides additional information regarding the CEB acquisition.

*Impact of Stock-Based Compensation Accounting Rule Change*

In the third quarter of 2016, the Company early adopted FASB Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU No. 2016-09"), which changed the accounting for stock-based compensation awards. The accounting changes required by ASU No. 2016-09 were applied to the beginning of the Company's 2016 fiscal year, and as a result certain previously reported financial results for the three months ended March 31, 2016 were revised. These changes included a $4.8 million increase in net income, and a $0.06 increase in each of basic earnings per share and diluted earnings per share. In addition, our previously reported operating cash flow for the three months ended March 31, 2016 increased by $4.8 million.

### Forward-Looking Statements

In addition to historical information, this Quarterly Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "expect," "should," "could," "believe," "plan," "anticipate," "estimate," "predict," "potential," "continue," or other words of similar meaning.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Factors That May Affect Future Performance" and elsewhere in this Quarterly Report and in the 2016 Form 10-K. Readers should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur. Readers should review carefully our risk factors described in the 2016 Form 10-K.

## BUSINESS OVERVIEW

Gartner, Inc. (NYSE: IT) is the world's leading research and advisory company. We help business leaders across all major functions in every industry and enterprise size with the objective insights they need to make the right decisions. Our comprehensive suite of services delivers strategic advice and proven best practices to help clients succeed in their mission-critical priorities. Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 13,000 associates serving clients in over 11,000 enterprises in over 90 countries.

The foundation for all Gartner products and services is our independent research on IT, supply chain, and digital marketing issues. The findings from this research are delivered through our three business segments – Research, Consulting and Events:

***Research*** provides objective insight on critical and timely technology and supply chain initiatives for CIOs and other IT professionals, supply chain leaders, digital marketing and other business professionals, as well as technology companies and the institutional investment community, through reports, briefings, proprietary tools, access to our analysts, peer networking services and membership programs that enable our clients to make better decisions about their IT, supply chain and digital marketing initiatives.

***Consulting*** provides customized solutions to unique client needs through on-site, day-to-day support, as well as proprietary tools for measuring and improving IT performance with a focus on cost, performance, efficiency and quality.

***Events*** provides IT, supply chain, digital marketing, and other business professionals the opportunity to attend various symposia, conferences and exhibitions to learn, contribute and network with their peers. From our flagship event Symposium/ITxpo, to summits focused on specific technologies and industries, to experimental workshop-style seminars, our events distill the latest Gartner research into applicable insight and advice.

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

**BUSINESS MEASUREMENTS**

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

| BUSINESS SEGMENT | BUSINESS MEASUREMENTS |
|---|---|
| Research | **Total contract value** represents the value attributable to all of our subscription-related contracts. It is calculated as the annualized value of all contracts in effect at a specific point in time, without regard to the duration of the contract. Total contract value primarily includes Research deliverables for which revenue is recognized on a ratable basis, as well as other deliverables (primarily Events tickets) for which revenue is recognized when the deliverable is utilized.<br><br>**Client retention rate** represents a measure of client satisfaction and renewed business relationships at a specific point in time. Client retention is calculated on a percentage basis by dividing our current clients, who were also clients a year ago, by all clients from a year ago. Client retention is calculated at an enterprise level, which represents a single company or customer.<br><br>**Wallet retention rate** represents a measure of the amount of contract value we have retained with clients over a twelve-month period. Wallet retention is calculated on a percentage basis by dividing the contract value of clients, who were clients one year ago, by the total contract value from a year ago, excluding the impact of foreign currency exchange. When wallet retention exceeds client retention, it is an indication of retention of higher-spending clients, or increased spending by retained clients, or both. Wallet retention is calculated at an enterprise level, which represents a single company or customer. |
| Consulting | **Consulting backlog** represents future revenue to be derived from in-process consulting, measurement and strategic advisory services engagements.<br><br>**Utilization rate** represents a measure of productivity of our consultants. Utilization rates are calculated for billable headcount on a percentage basis by dividing total hours billed by total hours available to bill.<br><br>**Billing Rate** represents earned billable revenue divided by total billable hours.<br><br>**Average annualized revenue per billable headcount** represents a measure of the revenue generating ability of an average billable consultant and is calculated periodically by multiplying the average billing rate per hour times the utilization percentage times the billable hours available for one year. |
| Events | **Number of events** represents the total number of hosted events completed during the period.<br><br>**Number of attendees** represents the total number of people who attend events. |

## EXECUTIVE SUMMARY OF OPERATIONS AND FINANCIAL POSITION

We have executed a consistent growth strategy since 2005 to drive double-digit revenue and earnings growth. The fundamentals of our strategy include a focus on creating extraordinary research insight, delivering innovative and highly differentiated product offerings, building a strong sales capability, providing world class client service with a focus on client engagement and retention, and continuously improving our operational effectiveness.

We had total revenues of $625.2 million in the first quarter of 2017, an increase of 12% compared to the first quarter of 2016. Revenues in our Research business increased 15%, Events revenues increased 10%, and Consulting revenues were flat. For a more complete discussion of our results by segment, see Segment Results below. For the first quarter of 2017, we had net income of $36.4 million and diluted earnings per share of $0.43. We used $29.6 million of cash in our operating activities in the first quarter of 2017 compared to $13.3 million of cash provided in the first quarter of 2016. We had $1.2 billion of cash and cash equivalents at March 31, 2017 and $927.0 million of available borrowing capacity on our revolving credit facility.

On April 5, 2017, after the close of our first quarter, the Company completed its previously announced acquisition of CEB. Note 14 — Subsequent Events in the Notes to the Condensed Consolidated Financial Statements provides additional information regarding the CEB acquisition.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires the application of appropriate accounting policies and the use of estimates. Our significant accounting policies are described in Note 1 in the Notes to the Consolidated Financial Statements of Gartner, Inc. contained in the 2016 Form 10-K. Management considers the policies discussed below to be critical to an understanding of our financial statements because their application requires complex and subjective management judgments and estimates. Specific risks for these critical accounting policies are also described below.

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

Our critical accounting policies are as follows:

**Revenue recognition** — Revenue is recognized in accordance with the requirements of U.S. GAAP as well as SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* ("SAB 104"). Revenue is only recognized once all required criteria for revenue recognition have been met. Revenue by significant source is accounted for as follows:

- Research revenues are mainly derived from subscription contracts for research products. The related revenues are deferred and recognized ratably over the applicable contract term. Fees derived from assisting organizations in selecting the right business software for their needs is recognized when the leads are provided to vendors.

- Consulting revenues are principally generated from fixed fee and time and material engagements. Revenues from fixed fee contracts are recognized on a proportional performance basis. Revenues from time and materials engagements are recognized as work is delivered and/or services are provided. Revenues related to contract optimization contracts are contingent in nature and are only recognized upon satisfaction of all conditions related to their payment.

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

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

**Uncollectible fees receivable** — We maintain an allowance for losses which is composed of a bad debt allowance and a sales reserve. Provisions are charged against earnings, either as a reduction in revenues or an increase to expense. The determination of the allowance for losses is based on historical loss experience, an assessment of current economic conditions, the aging of outstanding receivables, the financial health of specific clients, and probable losses. This evaluation is inherently judgmental and requires estimates. These valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of fees receivable becomes available. Circumstances that could cause our valuation reserves to increase include changes in our clients' liquidity and credit quality, other factors negatively impacting our clients' ability to pay their obligations as they come due, and the effectiveness of our collection efforts.

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Total fees receivable | $ 724,387 | $ 650,413 |
| Allowance for losses | (7,900) | (7,400) |
| Fees receivable, net | $ 716,487 | $ 643,013 |

**Goodwill and other intangible assets** —The Company evaluates recorded goodwill in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 350, which requires goodwill to be assessed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, an impairment evaluation of our amortizable intangible assets may also be performed if events or circumstances indicate potential impairment. Among the factors that could trigger an impairment review are our current operating results relative to our annual plan or historical performance; changes in our strategic plan or use of our assets; restructuring charges or other changes in our business segments; competitive pressures and changes in the general economy or in the markets in which we operate; and a significant decline in our stock price and our market capitalization relative to our net book value.

ASC Topic No. 350 requires an annual assessment of the recoverability of recorded goodwill, which can be either quantitative or qualitative in nature, or a combination of the two. Both methods require the use of estimates which in turn contain judgments and assumptions regarding future trends and events. As a result, both the precision and reliability of the resulting estimates are subject to uncertainty. If our annual goodwill impairment evaluation determines that the fair value of a reporting unit is less than its related carrying amount, we may recognize an impairment charge against earnings. Among the factors we consider in a qualitative assessment are general economic conditions and the competitive environment; actual and projected reporting unit financial performance; forward-looking business measurements; and external market assessments. A quantitative analysis requires

management to consider each of the factors relevant to a qualitative assessment, as well as the utilization of detailed financial projections, to include the rate of revenue growth, profitability, and cash flows, as well as assumptions regarding discount rates, the Company's weighted-average cost of capital, and other data, in order to determine a fair value for our reporting units.

We conducted a qualitative assessment of the fair value of all of the Company's reporting units during the third quarter of 2016. The results of this test determined that the fair values of the Company's reporting units continue to exceed their respective carrying values.

**Accounting for income taxes** — The Company uses the asset and liability method of accounting for income taxes. We estimate our income taxes in each of the jurisdictions where we operate. This process involves estimating our current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. In assessing the realizability of deferred tax assets, management considers if it is more likely than not that some or all of the deferred tax assets will not be realized. We consider the availability of loss carryforwards, projected reversal of deferred tax liabilities, projected future taxable income, and ongoing prudent and feasible tax planning strategies in making this assessment. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained based on the technical merits of the position.

**Accounting for stock-based compensation** — The Company accounts for stock-based compensation in accordance with FASB ASC Topics No. 505 and 718 and SEC Staff Accounting Bulletins No. 107 ("SAB No. 107") and No. 110 ("SAB No. 110"). The Company recognizes stock-based compensation expense, which is based on the fair value of the award on the date of grant, over the related service period (see Note 4 — Stock-Based Compensation in the Notes to the Condensed Consolidated Financial Statements for additional information). Determining the appropriate fair value model and calculating the fair value of stock compensation awards requires the input of certain complex and subjective assumptions, including the expected life of the stock compensation award and the Company's Common Stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the likelihood of the achievement of certain performance targets. The assumptions used in calculating the fair value of stock compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company’s stock-based compensation awards changes, then the amount of expense may need to be adjusted and future stock-based compensation expense could be materially different from what has been recorded in the current period.

**Restructuring and other accruals** — We may record accruals for severance costs, costs associated with excess facilities that we have leased, contract terminations, asset impairments, and other costs as a result of on-going actions we undertake to streamline our organization, reposition certain businesses and reduce ongoing costs. Estimates of costs to be incurred to complete these actions, such as future lease payments, sublease income, the fair value of assets, and severance and related benefits, are based on assumptions at the time the actions are initiated. These accruals may need to be adjusted to the extent actual costs differ from such estimates. In addition, these actions may be revised due to changes in business conditions that we did not foresee at the time such plans were approved. We also record accruals during the year for our various employee cash incentive programs. Amounts accrued at the end of each reporting period are based on our estimates and may require adjustment as the ultimate amount paid for these incentives are sometimes not known with certainty until the end of our fiscal year.

## RESULTS OF OPERATIONS

### Overall Results

The following table presents an analysis of selected line items and period-over-period changes in our interim Condensed Consolidated Statements of Operations for the periods indicated (in thousands):

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 | Income Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|
| Total revenues | $ 625,169 | $ 557,266 | $ 67,903 | 12 % |
| Costs and expenses: | | | | |
| Cost of services and product development | 237,609 | 212,041 | (25,568) | (12) |
| Selling, general and administrative | 304,244 | 257,411 | (46,833) | (18) |
| Depreciation | 10,240 | 8,834 | (1,406) | (16) |
| Amortization of intangibles | 6,290 | 6,183 | (107) | (2) |
| Acquisition and integration charges | 13,272 | 8,368 | (4,904) | (59) |
| Operating income | 53,514 | 64,429 | (10,915) | (17) |
| Interest expense, net | (5,906) | (6,006) | 100 | 2 |
| Other income, net | 889 | 1,884 | (995) | (53) |
| Provision for income taxes | 12,064 | 15,320 | 3,256 | 21 |
| Net income (1) | $ 36,433 | $ 44,987 | $ (8,554) | (19)% |

(1) The Company adopted FASB Accounting Standards Update No. 2016-09, "*Improvements to Employee Share-Based Payment Accounting*" ("ASU No. 2016-09") in the third quarter of 2016. The accounting changes required by the standard were applied to the beginning of the Company's 2016 fiscal year. As a result, the previously reported net income for the three months ended March 31, 2016 has been revised and includes a $4.8 million increase. Note 1 — Business and Basis of Presentation in the Notes to the Condensed Consolidated Financial Statements provides additional information.

Total revenues for the three months ended March 31, 2017 increased $67.9 million, to $625.2 million, an increase of 12% compared to the three months ended March 31, 2016 and 13% adjusted for the impact of foreign currency exchange. Please refer to the section of this MD&A below entitled “Segment Results” for a discussion of revenues and results by segment.

Cost of services and product development increased $25.6 million, or 12%, in the first quarter of 2017 compared to the first quarter of 2016. Excluding the foreign exchange impact, costs increased 14% quarter-over-quarter. The increase was primarily attributable to higher payroll and related benefits costs resulting from increased headcount, which increased 15%. Cost of services and product development as a percentage of revenues was 38% for both the first quarter of 2017 and 2016.

Selling, general and administrative (“SG&A”) expense increased $46.8 million, or 18% quarter-over-quarter on a reported basis and 19% adjusted for the foreign exchange impact. The increase in 2017 expense was driven by several factors. We had $37.0 million in higher payroll and related benefits costs, reflecting a 15% overall headcount increase, higher commissions due to increased sales bookings, and higher stock compensation charges. We also had $9.8 million in higher program and corporate costs, such as relocation and recruiting, training, and facilities costs. The 15% overall headcount growth includes a 10% increase in quota-bearing sales associates, which increased to 2,460 at March 31, 2017.

Depreciation expense increased 16% in the three months ended March 31, 2017 compared to the same period in 2016 due to our additional investment in property, equipment, and leasehold improvements.

Amortization of intangibles increased 2% in the three months ended March 31, 2017 compared to the same period in 2016 due to the additional amortization resulting from the intangibles recorded from our additional acquisitions.

Acquisition and integration charges were $13.3 million in the three months ended March 31, 2017 compared to $8.4 million in the prior year period, an increase of 59%. The quarter-over-quarter increase reflects additional charges resulting from our 2016 and 2017 acquisitions.

Operating income decreased $10.9 million, or 17%, quarter-over-quarter. As a percentage of revenues, operating income was approximately 9% for the three months ended March 31, 2017 compared to 12% in the 2016 quarter, with the decrease due to lower contribution margins in all three of our business segments in the 2017 quarter, as well as higher SG&A costs, acquisition and integration charges, and depreciation expense in the 2017 quarter.

Interest expense, net decreased 2% quarter-over-quarter due to a slight decrease in the weighted-average borrowings outstanding in the first quarter of 2017 compared to the first quarter of 2016.

Other income, net for both the three months ended March 31, 2017 and 2016 reflects the net impact of foreign currency gains and losses from our hedging activities, as well as the sale of certain state tax credits and the recognition of other tax incentives.

Provision for income taxes was $12.1 million for the three months ended March 31, 2017 compared to $15.3 million in the three months ended March 31, 2016. The effective income tax rate was 24.9% for the three months ended March 31, 2017 and 25.4% for the same period in 2016. The quarter-over-quarter decrease in the effective income tax rate was primarily attributable to an increase in stock-based compensation benefits partially offset by an increase in unrecognized tax benefits.

Net income declined 19% while diluted earnings per share declined 20% quarter-over-quarter. The declines primarily reflect lower operating income, which was partially offset by a lower provision for income taxes.

**SEGMENT RESULTS**

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

The following sections present the results of our three reportable business segments:

*Research*

| | As Of And For The Three Months Ended March 31, 2017 | As Of And For The Three Months Ended March 31, 2016 | Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| **Financial Measurements:** | | | | |
| Revenues (1) | $ 504,652 | $ 440,271 | $ 64,381 | 15% |
| Gross contribution (1) | $ 346,708 | $ 308,186 | $ 38,522 | 12% |
| Gross contribution margin | 69% | 70% | (1) point | — |
| **Business Measurements:** | | | | |
| Total contract value (1), (2) | $ 1,953,000 | $ 1,721,000 | $ 232,000 | 13% |
| Client retention | 83% | 84% | (1) point | — |
| Wallet retention | 104% | 105% | (1) point | — |

(1) In thousands.

(2) Total contract value represents the value attributable to all of our subscription-related contracts. It is calculated as the annualized value of all contracts in effect at a specific point in time, without regard to the duration of the contract. Total contract value primarily includes Research deliverables for which revenue is recognized on a ratable basis, as well as other deliverables (primarily Events tickets) for which revenue is recognized when the deliverable is utilized.

Research segment revenues increased 15% in the three months ended March 31, 2017 compared to the same quarter in 2016 on both a reported basis and adjusted for the foreign exchange impact. The segment gross contribution margin was 69% and 70% in the first quarters of 2017 and 2016, respectively.

Total contract value as of March 31, 2017 increased 13% compared to March 31, 2016 on a reported basis and 15% adjusted for the impact of foreign currency exchange. However, excluding the impact of L2, which the Company acquired in March 2017, total contract value increased by 12% reported and 14% adjusted for the impact of foreign currency exchange. Total contract value as of March 31, 2017 increased by double-digits across all of the Company's sales regions and client sizes and almost every industry segment compared to March 31, 2016. At March 31, 2017, enterprise client retention was 83% and enterprise wallet retention was 104%, both of which are close to our historic highs.

*Consulting*

| | As Of And For The Three Months Ended March 31, 2017 | | As Of And For The Three Months Ended March 31, 2016 | | Increase (Decrease) | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|---|---|
| **Financial Measurements:** | | | | | | | |
| Revenues (1) | $ | 85,248 | $ | 84,940 | $ | 308 | — % |
| Gross contribution (1) | $ | 28,342 | $ | 29,378 | $ | (1,036) | (4)% |
| Gross contribution margin | | 33% | | 35% | | (2) points | — |
| **Business Measurements:** | | | | | | | |
| Backlog (1) | $ | 103,200 | $ | 114,100 | $ | (10,900) | (10)% |
| Billable headcount | | 650 | | 618 | | 32 | 5 % |
| Consultant utilization | | 65% | | 67% | | (2) points | — |
| Average annualized revenue per billable headcount (1) | $ | 359 | $ | 386 | $ | (27) | (7)% |

(1) Dollars in thousands.

Consulting revenues were flat quarter-over-quarter on a reported basis but adjusted for the impact of foreign currency exchange, revenues increased 2%. The gross contribution margin was 33% for the three months ended March 31, 2017 and 35% for the three months ended March 31, 2016, with the decline primarily due to lower utilization.

Backlog decreased by $10.9 million year-over-year, or 10%. As previously disclosed, backlog benefited in 2015 and early 2016 due to the booking of a large contract, which resulted in a strong increase in backlog in the first quarter of 2016. Excluding that one large contract from the first quarter of 2016, backlog decreased by about 4% year-over-year. The $103.2 million of backlog at March 31, 2017 represents approximately 4 months of backlog, which is in line with the Company's operational target.

*Events*

| | As Of And For The Three Months Ended March 31, 2017 | | As Of And For The Three Months Ended March 31, 2016 | | Increase (Decrease) | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|---|---|
| **Financial Measurements:** | | | | | | | |
| Revenues (1) | $ | 35,269 | $ | 32,055 | $ | 3,214 | 10 % |
| Gross contribution (1) | $ | 13,567 | $ | 12,983 | $ | 584 | 4 % |
| Gross contribution margin | | 38% | | 41% | | (3) points | — |
| **Business Measurements:** | | | | | | | |
| Number of events | | 11 | | 12 | | (1) | (8)% |
| Number of attendees | | 9,035 | | 7,640 | | 1,395 | 18 % |

(1) Dollars in thousands.

Events revenues increased 10% quarter-over-quarter on a reported basis and 11% adjusted for the foreign currency impact. We held one fewer event in 2017, with 11 events held in first quarter 2017 compared to 12 events in first quarter 2016. The 11 events held in the first quarter of 2017 consisted of 9 ongoing events and 2 new events. The number of attendees for the first quarter of 2017 increased 18% and exhibitors declined 6%, while average revenue per attendee increased 3% and average revenue per exhibitor increased by 10%. The gross contribution margin decreased by 3 points, primarily due to an additional investment in segment headcount.

## LIQUIDITY AND CAPITAL RESOURCES

We typically finance our operations through cash generated from our operating activities and borrowings under our 2016 Credit Agreement. At March 31, 2017, we had $1.2 billion of cash and cash equivalents and $927.0 million of available borrowing capacity on the revolving credit facility under the 2016 Credit Agreement. Our cash and cash equivalents are held in numerous locations throughout the world, with approximately 33% held outside the United States as of March 31, 2017.

The 2016 Credit Agreement was entered into on June 17, 2016 and provided for a $600.0 million Term loan A facility and a $1.2 billion revolving credit facility. The 2016 Credit Agreement was amended twice in the first quarter of 2017 to permit the acquisition of CEB and the incurrence of additional debt, as well as extend the maturity date of the revolving credit facility and Term loan A facility through March 20, 2022 and to revise the interest rate and repayment schedule. Note 7 — Debt in the Notes to the Condensed Consolidated Financial Statements provides additional information regarding the 2016 Credit Agreement.

On April 5, 2017, the Company completed the CEB acquisition and in total borrowed approximately $2.8 billion related to the transaction. The Company also entered into a third amendment to the 2016 Credit Agreement on that date. Note 14 — Subsequent Events in the Notes to the Condensed Consolidated Financial Statements provides additional information regarding the CEB acquisition and the related borrowings. After the close of the CEB transaction, the Company had approximately $640.0 of cash and cash equivalents and $630.0 million of available borrowing capacity under its revolving credit facility, which the Company believes is adequate to meet its currently anticipated needs.

The following table summarizes the changes in the Company’s cash and cash equivalents for the periods indicated (in thousands):

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 | Cash Increase (Decrease) |
|---|---|---|---|
| Cash (used in) provided by operating activities (1) | $ (29,605) | $ 13,331 | $ (42,936) |
| Cash used in investing activities | (140,015) | (7,360) | (132,655) |
| Cash used in financing activities (1) | 917,271 | 22,093 | 895,178 |
| Net increase in cash and cash equivalents (1) | 747,651 | 28,064 | 719,587 |
| Effects of exchange rates | 6,007 | 2,903 | 3,104 |
| Beginning cash and cash equivalents | 474,233 | 372,976 | 101,257 |
| Ending cash and cash equivalents | $ 1,227,891 | $ 403,943 | $ 823,948 |

(1) The Company adopted FASB Accounting Standards Update No. 2016-09, "*Improvements to Employee Share-Based Payment Accounting*" ("ASU No. 2016-09") in the third quarter of 2016. The accounting changes required by the standard were applied to the beginning of the Company's 2016 fiscal year. As a result, the previously reported cash provided by operating activities for the three months ended March 31, 2016 has been revised and includes a $4.8 million increase while the previously reported cash used in financing activities decreased by the same amount. The net increase in cash and cash equivalents of $28.1 million for the three months ended March 31, 2016 did not change. Note 1 — Business and Basis of Presentation in the Notes to the Condensed Consolidated Financial Statements provides additional information.

*Operating*

We used $29.6 million of cash in our operating activities in the first quarter of 2017, compared to cash provided of $13.3 million in the same period in 2016, with the swing due to several factors. We had lower net income in the first quarter of 2017 and substantially higher cash payments for bonus and commissions, and to a lesser extent, acquisition and integration costs. In addition, our first quarter 2017 working capital was negatively impacted by the timing of first quarter of 2017 subscription-based sales and related collections, compared to the first quarter of 2016. Partially offsetting these higher uses of cash in the 2017 period were lower cash payments for taxes.

*Investing*

We used $140.0 million of cash in our investing activities in the three months ended March 31, 2017 compared to $7.4 million of cash used in the same period in 2016. Cash used in 2017 was substantially higher due to additional expenditures for business acquisitions.

*Financing*

Cash provided from financing activities was $917.3 million in the three months ended March 31, 2017 compared to cash provided of $22.1 million in the 2016 period, with the increase due to additional borrowings in the 2017 period. In the 2017 period the Company borrowed an additional $936.3 million on a net basis and realized $3.0 million from employee share-related activities, while it paid $22.0 million for share repurchases. In the 2016 period the Company realized $65.0 million from additional borrowings on a net basis and $2.6 million from share-related activities and used $45.5 million in cash for share repurchases.

**OBLIGATIONS AND COMMITMENTS**

*2016 Credit Agreement*

The 2016 Credit Agreement was entered into on June 17, 2016 and provided for a $600.0 million Term loan A facility and a $1.2 billion revolving credit facility. As of March 31, 2017, under its 2016 Credit Agreement, the Company had $585.0 million outstanding under the Term loan A facility and $270.0 million outstanding under the revolving loan facility.

The 2016 Credit Agreement was amended twice in the first quarter of 2017 to permit the acquisition of CEB and the incurrence of additional debt, as well as extend the maturity date of the revolving credit facility and Term loan A facility through March 20, 2022 and to revise the interest rate and repayment schedule. Note 7 — Debt in the Notes to the Condensed Consolidated Financial Statements provides additional information regarding the 2016 Credit Agreement.

*Acquisition of CEB*

On March 31, 2017, the Company also had $800.0 million principal amount of Senior Notes outstanding, which the Company had borrowed on March 30, 2017 to finance in part the CEB acquisition. The Company completed the acquisition of CEB on April 5, 2017. In total, the Company borrowed an additional $2.8 billion in conjunction with the CEB acquisition and had a total of $3.6 billion of debt outstanding as of that date. Note 14 — Subsequent Events in the Notes to the Condensed Consolidated Financial Statements provides additional information regarding the CEB acquisition and related borrowings.

*Off-Balance Sheet Arrangements*

Through March 31, 2017, we have not entered into any off-balance sheet arrangements or transactions with unconsolidated entities or other persons.

**BUSINESS AND TRENDS**

Our quarterly and annual revenues, operating income, and cash flows fluctuate as a result of many factors, including: the timing of our Symposium/ITxpo series that normally occurs during the fourth quarter, as well as our other events; the amount of new business generated; the mix of domestic and international business; domestic and international economic conditions; changes in market demand for our products and services; changes in foreign currency rates; the timing of the development, introduction and marketing of new products and services; competition in the industry; the payment of performance compensation; and other factors. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and could provide an unreliable indication of future operating results.

**FACTORS THAT MAY AFFECT FUTURE PERFORMANCE**

We operate in a very competitive and rapidly changing environment that involves numerous risks and uncertainties, some of which are beyond our control. A description of the risk factors associated with our business is included under “Risk Factors” contained in Item 1A. of our 2016 Annual Report on Form 10-K which is incorporated herein by reference.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

Accounting standards issued by the various U.S. standard setting and governmental authorities that have not yet become effective and may impact our Consolidated Financial Statements in future periods are described below, together with our assessment of the potential impact they may have on our Consolidated Financial Statements and related disclosures in future periods:

*Retirement Benefits – Presentation* — In March 2017, the FASB issued Accounting Standards Update No. 2017-07, *"Compensation—Retirement Benefits (Topic 715)"* ("ASU No. 2017-07"). ASU No. 2017-07 improves the reporting of net benefit cost in the financial statements, and provides additional guidance on the presentation of net benefit cost in the income statement and clarifies the components eligible for capitalization. ASU No. 2017-07 is effective for Gartner on January 1, 2018. We are currently evaluating the potential impact of ASU No. 2017-07 on the Company's consolidated financial statements.

*Defined Benefit Pension Plans – Disclosure* — In February 2017, the FASB issued ASU No. 2017-06, *"Employee Benefit Plan Master Trust Reporting"* ("ASU No. 2017-06"). ASU No. 2017-06 clarifies presentation requirements for a plan’s interest in certain trust arrangements as well as other changes. ASU No. 2017-06 is effective for Gartner on January 1, 2019. We are currently evaluating the potential impact of ASU No. 2017-06 on the Company's consolidated financial statements.

*Accounting for Partial Sales of Non-financial Asset*s — In February 2017, the FASB issued ASU No. 2017-05, *"Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets"* ("ASU No. 2017-05"). ASU No. 2017-05 clarifies the scope of the FASB’s recently established guidance on non-financial asset de-recognition as well as the accounting for partial sales of non-financial assets. It conforms the de-recognition guidance on non-financial assets with the model for revenue transactions. ASU No. 2017-05 is effective for Gartner on January 1, 2018. We are currently evaluating the potential impact of ASU No. 2017-05 on the Company's consolidated financial statements.

*Simplifying the Test for Goodwill Impairment* — In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles—Goodwill and Other - Simplifying the Test for Goodwill Impairment*" ("ASU No. 2017-04"). ASU No. 2017-04 simplifies the determination of the amount of goodwill to be potentially charged off by eliminating Step 2 of the goodwill impairment test. ASU No. 2017-04 is effective for Gartner on January 1, 2020. We are currently evaluating the potential impact of ASU No. 2017-04 on the Company's consolidated financial statements.

*Business Combinations* — In January 2017, the FASB issued ASU No. 2017-01, *"Clarifying the Definition of a Business"* ("ASU No. 2017-01"), which is effective for Gartner on January 1, 2018. ASU No. 2017-01 changes the GAAP definition of a business which can impact the accounting for asset purchases, acquisitions, goodwill impairment, and other assessments. We are currently evaluating the impact of ASU No. 2017-01 on the Company's consolidated financial statements.

*Statement of Cash Flows* — In November 2016, the FASB issued ASU No. 2016-18, *"Restricted Cash"* ("ASU No. 2016-18"). ASU No. 2016-18 requires that amounts generally described as restricted cash and restricted cash equivalents be presented with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. If different, a reconciliation of the cash balances reported in the cash flow statement and the balance sheet would need to be provided along with explanatory information. ASU No. 2016-18 is effective for the Company on January 1, 2018. We are currently evaluating the impact of ASU No. 2016-18 on the Company's consolidated financial statements.

*Income Taxes* — In October 2016, the FASB issued ASU No. 2016-16, *"Intra-Entity Transfers of Assets Other Than Inventory"* ("ASU No. 2016-16"). ASU No. 2016-16 accelerates the recognition of taxes on certain intra-entity transactions and is effective for Gartner on January 1, 2018. Current GAAP requires deferral of the income tax implications of an intercompany sale of assets until the assets are sold to a third party or recovered through use. Under the new rule, the seller’s tax effects and the buyer’s deferred taxes will be immediately recognized upon the sale. We have completed an initial evaluation of the impact of ASU No. 2016-16 and believe it could have a material impact on our consolidated financial statements depending on the nature and size of future intra-entity transfers.

*Statement of Cash Flows* — In August 2016, the FASB issued ASU No. 2016-15, *"Classification of Certain Cash Receipts and Cash Payments"* ("ASU No. 2016-15"). ASU No. 2016-15 sets forth classification requirements for certain cash flow transactions. ASU No. 2016-15 is effective for Gartner on January 1, 2018, but early adoption is permitted. We have completed an initial evaluation of the impact of ASU No. 2016-15 and we do not expect it will have a material impact on our consolidated financial statements.

*Financial Instrument Credit Losses* — In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses"* ("ASU No. 2016-13"). ASU No. 2016-13 amends the current financial instrument impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU No. 2016-13 is effective for Gartner on January 1, 2020, with early adoption permitted. We are currently evaluating the potential impact of ASU No. 2016-13 on our consolidated financial statements.

*Leases* — In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" ("ASU No. 2016-02") which will require significant changes in the accounting and disclosure for lease arrangements. Currently under U.S. GAAP, lease arrangements that meet certain criteria are considered operating leases and are not recorded on the balance sheet. All of the Company's existing lease arrangements are accounted for as operating leases and are thus not recorded on the Company's balance sheet. ASU No. 2016-02 will significantly change the accounting for leases since a right-of-use ("ROU") model must be used in which the lessee must record a ROU asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating arrangements, with classification affecting the pattern of expense recognition in the income statement. ASU No. 2016-02 also requires expanded disclosures about leasing arrangements. ASU No. 2016-02 will be effective for Gartner on January 1, 2019. We are currently evaluating the impact of ASU No. 2016-02 on our consolidated financial statements.

*Financial Instruments - Recognition and Measurement* — In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments Overall - Recognition and Measurement of Financial Assets and Liabilities*" ("ASU No. 2016-01") to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among the significant changes required by ASU No. 2016-01 is that equity investments will be measured at fair value with changes in fair value recognized in net income. ASU No. 2016-01 will be effective for Gartner on January 1, 2018. We have completed an initial evaluation of the impact of ASU No. 2016-01 and we do not expect it will have a material impact on our consolidated financial statements but may require additional disclosures.

*Revenue* — In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" ("ASU No. 2014-09"). ASU No. 2014-09 and related amendments require changes in revenue recognition policies as well as enhanced disclosures. ASU No. 2014-09 is intended to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in existing revenue recognition rules; provide a more robust framework for addressing revenue recognition issues; improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and provide more useful information to users of financial statements through improved disclosures. The Company has completed an initial assessment of the impact of ASU No. 2014-09 on its existing revenue recognition policies and plans to adopt the rule on January 1, 2018 using the cumulative effect method of adoption. ASU No. 2014-09 also requires significantly expanded disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, which the Company is currently compiling. While the Company has not fully completed its assessment of the impact of ASU No. 2014-09, based on the analysis completed to date, the Company does not currently anticipate that the new rule will have a material impact on its consolidated financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### INTEREST RATE RISK

The Company has a five-year secured credit arrangement that provides for a $600.0 million term loan and a $1.2 billion revolving credit facility. At March 31, 2017, we had $855.0 million outstanding under the 2016 Credit Agreement, which included $585.0 million outstanding under the Term loan A facility and $270.0 million under the revolving credit facility.

We have exposure to changes in interest rates since amounts borrowed under our 2016 Credit Agreement are based on a floating base rate of interest. However, we reduce our exposure to changes in interest rates through our interest rate swap contracts which effectively convert the floating base interest rate on our variable rate borrowings to fixed rates. Thus we are exposed to interest rate risk on borrowings under the 2016 Credit Agreement only in excess of any amounts that are not hedged. At March 31, 2017, the amount of unhedged borrowings under the 2016 Credit Agreement was zero. The Company does not have interest rate risk on its $800.0 million aggregate principal amount Senior Notes since the Senior Notes have a fixed rate of interest.

### FOREIGN CURRENCY RISK

A significant portion of our revenues are earned outside of the U.S., and as a result we conduct business in numerous currencies other than the U.S dollar. Among the major foreign currencies in which we conduct business are the Euro, the British Pound, the Japanese Yen, the Australian dollar, and the Canadian dollar. The reporting currency of our consolidated financial statements is the U.S. dollar. As the values of the foreign currencies in which we operate fluctuate over time relative to the U.S dollar, the Company is exposed to both foreign currency translation and transaction risk.

Translation risk arises as our foreign currency assets and liabilities are translated into U.S. dollars since the functional currencies of our foreign operations are generally denominated in the local currency. Adjustments resulting from the translation of these assets and liabilities are deferred and recorded as a component of stockholders' (deficit) equity. A measure of the potential impact of foreign currency translation can be determined through a sensitivity analysis of our cash and cash equivalents. At March 31, 2017, we had $1.2 billion of cash and cash equivalents, a portion of which was denominated in foreign currencies. If the exchange rates of the foreign currencies we hold all changed in comparison to the U.S. dollar by 10%, the amount of cash and cash equivalents we would have reported on March 31, 2017 would have increased or decreased by approximately $18.0 million. The translation of our foreign currency revenues and expenses historically has not had a material impact on our consolidated earnings since movements in and among the major currencies in which we operate tend to impact our revenues and expenses fairly equally. However, our earnings could be impacted during periods of significant exchange rate volatility, or when some or all of the major currencies in which we operate move in the same direction against the U.S dollar.

Transaction risk arises when our foreign subsidiaries enter into transactions that are denominated in a currency that may differ from the local functional currency. As these transactions are translated into the local functional currency, a gain or loss may result, which is recorded in current period earnings. We typically enter into foreign currency forward exchange contracts to mitigate the effects of some of this foreign currency transaction risk. Our outstanding currency contracts as of March 31, 2017 had an immaterial net unrealized loss.

### CREDIT RISK

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

## ITEM 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures that are designed to ensure that the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported in a timely manner. Specifically, these controls and procedures ensure that the information is accumulated and communicated to our executive management team, including our chief executive officer and our chief financial officer, to allow timely decisions regarding required disclosure.

Management conducted an evaluation, as of March 31, 2017, of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of our chief executive officer and chief financial officer. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material Company information required to be disclosed by us in reports filed under the Exchange Act.

In addition, there have been no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in legal and administrative proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position or results of operations when resolved in a future period.

### ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included under “Risk Factors” contained in Item 1A. of the Company's 2016 Form 10-K and is incorporated herein by reference.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the period covered by this report.

**Issuer Purchases of Equity Securities**

We have a $1.2 billion board approved authorization to repurchase the Company's common stock, of which $1.1 billion remained available as of March 31, 2017. The Company may repurchase its common stock from time to time in amounts and at prices the Company deems appropriate, subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company’s financial performance and other conditions. Repurchases may be made through open market purchases, private transactions or other transactions and will be funded from cash on hand and borrowings under the Company’s credit agreement.

The following table provides detail related to repurchases of our outstanding Common Stock during the three months ended March 31, 2017:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Approximate Dollar Value of Shares that may yet be purchased under our Share Repurchase Program (in billions) (1) |
|---|---|---|---|
| **2017** | | | |
| January | 235 | $ 101.94 | |
| February | 218,355 | 100.46 | |
| March | 162 | 111.93 | |
| Total for quarter | 218,752 | $ 100.47 | $ 1.1 |

(1) As of March 31, 2017.

## ITEM 6. EXHIBITS

| EXHIBIT NUMBER | DESCRIPTION OF DOCUMENT |
|---|---|
| 2.1 | Agreement and Plan of Merger by and among Gartner, Inc., Cobra Acquisition Corp. and CEB Inc., dated as of January 5, 2017 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by the Company on January 5, 2017). |
| 4.1 | Indenture (including form of Notes), dated as of March 30, 2017, among Gartner, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the $800,000,000 aggregate principal amount of 5.125% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company on March 30, 2017). |
| 10.1 | Commitment Letter among Gartner, Inc., JPMorgan Chase Bank, N.A. and Goldman Sachs Bank USA, dated January 5, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on January 5, 2017). |
| 10.2 | First Amendment, dated as of January 20, 2017, among Gartner, Inc., each other Loan Party party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on January 24, 2017). |
| 10.3 | Second Amendment, dated as of March 20, 2017, among Gartner, Inc., each other Loan Party party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on March 21, 2017). |
| 10.4 | Form of 2017 Stock Appreciation Right Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on February 7, 2017). |
| 10.5 | Form of 2017 Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Company on February 7, 2017) |
| 10.6* | 2014 Long-Term Term Incentive Plan, as amended and restated January 31, 2017. |
| 31.1* | Certification of chief executive officer under Rule 13a — 14(a)/15d — 14(a). |
| 31.2* | Certification of chief financial officer under Rule 13a — 14(a)/15d — 14(a). |
| 32* | Certification under 18 U.S.C. 1350. |
| 101* | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at March 31, 2017 and December 31, 2016, (ii) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2017 and 2016, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2017 and 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016, and (v) the Notes to Condensed Consolidated Financial Statements. |

* Filed with this document.

Items 3, 4, and 5 of Part II are not applicable and have been omitted.

## SIGNATURE

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

Gartner, Inc.

| | |
|---|---|
| Date: May 4, 2017 | /s/ Craig W. Safian |
| | Craig W. Safian |
| | Senior Vice President and Chief Financial Officer |
| | (Principal Financial and Accounting Officer) |

**GARTNER, INC.**
**LONG-TERM INCENTIVE PLAN**
(Effective May 29, 2014; as amended on January 31, 2017)

## SECTION 1
## BACKGROUND AND PURPOSE

1.1 Background and Effective Date. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Units, Performance Shares, and Restricted Stock Units. The Plan is effective as of May 29, 2014 (the "Effective Date").

1.2 Purpose of the Plan. The Plan is intended to attract, motivate, and retain (a) employees of the Company and its Affiliates, (b) consultants who provide significant services to the Company and its Affiliates, and (c) directors of the Company who are employees of neither the Company nor of any Affiliate. The Plan also is designed to: (1) encourage stock ownership by Participants, thereby aligning their interests with those of the Company's stockholders, and (2) permit the payment of compensation that qualifies as "performance-based compensation" under Section 162(m) of the Code.

## SECTION 2

## DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.1 "1933 Act" means the Securities Act of 1933, as amended. Reference to a specific section of the 1933 Act or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.2 "1934 Act" means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the 1934 Act or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.3 "2003 Plan" means the Gartner, Inc. Long-Term Incentive Plan, as amended and restated effective June 4, 2009.

2.4 "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

2.5 "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Company's common stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

2.6 "Award" means, individually or collectively, a grant under the Plan of Incentive Stock Options, Nonqualified Stock Options, SARs, Restricted Stock Awards, Restricted Stock Units, Performance Units or Performance Shares.

2.7 "Award Agreement" means the written agreement (which may be in electronic form) setting forth the terms and conditions applicable to each Award granted under the Plan.

2.8 "Board" or "Board of Directors" means the Board of Directors of the Company.

2.9 "Cash Flow" means as to any Performance Period, cash generated from operating, financing and other business activities.

2.10 "Cause" means the occurrence of any of the following: (a) an act of personal dishonesty taken by the Participant in connection with his or her responsibilities as an employee and intended to result in his or her substantial personal enrichment; (b) the Participant being convicted of, or pleading no contest or guilty to, (x) a misdemeanor that the Company reasonably believes has had or will have a material detrimental effect on the Company; or (y) any felony; (c) a willful act by the Participant that constitutes gross misconduct; (d) the Participant's willful and continued failure to perform the reasonable duties and responsibilities of his or her position after there has been delivered to the Participant a written demand for performance from the Company that describes the basis for the Company's belief that the Participant has not substantially performed his or her duties and/or responsibilities and the Participant has not corrected such failure within 30 days of such written demand; or (e) a material violation by the Participant of any written, material Company employment policy or standard of conduct.

2.11 "Change of Control" means the occurrence of any of the events described in (a), (b) or (c) below, but subject to the rules of (d):

(a) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company. For purposes of this subsection (a), the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered an additional Change of Control; or

(b) A change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or for purposes of this subsection (b), once any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered an additional Change of Control; or

(c) A change in the ownership of a "substantial portion of the Company's assets", as defined herein. For this purpose, a "substantial portion of the Company's assets" shall mean assets of the Company having a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such change in ownership. For purposes of this subsection (c), a change in ownership of a substantial portion of the Company's assets occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that constitute a "substantial portion of the Company's assets." For purposes of this subsection (c), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (c). For purposes of this subsection (c), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(d) For purposes of Section 2.11, the following rules will apply. A transaction will not constitute a Change of Control unless the transaction qualifies as a change of control event within the meaning of Section 409A. Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. A transaction will not constitute a Change of Control if its primary purpose is to: (1) change the state of the Company's incorporation, or (2) create a holding company that will be owned in substantially the same proportions by the persons who held the Company's voting securities immediately before such transaction. For purposes of Section 2.11(a), a change in ownership of the Company will not constitute a Change of Control if the stockholders of the Company immediately before such change in ownership, continue to retain, immediately after the change in ownership, direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the securities of the Company, and such retained ownership is in substantially the same relative proportions to one another (among the stockholders of the Company immediately before the change in ownership) as their ownership of shares of the Company's voting securities immediately prior to the change in ownership. For this purpose, indirect beneficial ownership shall include, but not be limited to, ownership of the voting securities of one or more corporations or other entities that, directly or indirectly, own the Company.

2.12 "Code" means the Internal Revenue Code of 1986, as amended . Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.13 "Committee" means the committee appointed by the Board (pursuant to Section 3.1) to administer the Plan. As of the Effective Date, and until otherwise determined by the Board, the Compensation Committee of the Board will serve as the Committee.

2.14 "Common Stock Equivalent" or "CSE" means an Award granted to a Nonemployee Director that, pursuant to Section 12, is designated as a CSE.

2.15 "Company" means Gartner, Inc., a Delaware corporation, or any successor thereto.

2.16 "Consultant" means any consultant, independent contractor, or other person who provides significant services to the Company or its Affiliates, but who is not an Employee or a Director. However, a person shall not be eligible to be granted an Award if inclusion of that person as a Consultant would cause the Awards and/or Shares available under the Plan to be ineligible for registration on a Form S-8 Registration Statement under the 1933 Act.

2.17 "Contract Value" means as to any Performance Period, the value attributable to all of the Company's subscription-related research products that recognize revenue on a ratable basis. Contract value is calculated as the annualized value of all subscription research contracts in effect at a specific point in time, without regard to the duration of the contract.

2.18 "Determination Date" means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as "performance-based compensation" under Section 162(m) of the Code.

2.19 "Director" means any individual who is a member of the Board of Directors of the Company.

2.20 "Disability" means a permanent and total disability within the meaning of Section 22(e)(3) of the Code. In the case of Awards other than Incentive Stock Options, the Committee, in its discretion, may determine that a different definition of Disability shall apply in accordance with standards adopted by the Committee from time to time.

2.21 "Earnings per Share" means as to any Performance Period, the Company's Profit, divided by the number of common shares outstanding for the Performance Period.

2.22 "Economic Value Added" means as to any Performance Period, the Company's Profit, minus average cost of capital employed.

2.23 "Expense Management" means as to any Performance Period, the objective goals set by the Committee for expense control.

2.24 "Employee" means any employee of the Company or of an Affiliate, whether such employee is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan. Neither service as a Director nor payment of a director's fee by the Company will constitute "employment" by the Company.

2.25 "Exchange Program" means a program under which outstanding Awards are amended to provide for a lower Exercise Price or surrendered or cancelled in exchange for (a) Awards with a lower Exercise Price, (b) a different type of Award, (c) cash, or (d) a combination of (a), (b) and/or (c). Notwithstanding the preceding, the term Exchange Program does not include any (i) action described in Sections 4.3 or 4.4 nor (ii) transfer or other disposition permitted under Sections 13.7 and 13.8. The implementation of any Exchange Program is subject to stockholder approval as required under Section 3.2.

2.26 "Exercise Price" means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option or SAR.

2.27 "Fair Market Value" means the selling price for Shares on the relevant date, or if there were no sales on such date, the average of the selling prices on the immediately following and preceding trading dates, in either case as reported by the New York Stock Exchange or such other source selected in the discretion of the Committee (or its delegate). As determined in the discretion of the Committee, for this purpose, the selling price may be based on the opening, closing, actual, high, low, or average selling prices of Shares on the relevant date. Unless and until determined otherwise by the Committee, the selling price used for determining Fair Market Value shall be the closing price of a Share on the relevant date. Notwithstanding the preceding, for federal, state, and local income tax reporting purposes, fair market value shall be determined by the Committee (or the Company) in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

2.28 "Fiscal Quarter" means a fiscal quarter within a Fiscal Year of the Company.

2.29 "Fiscal Year" means the fiscal year of the Company.

2.30 "Grant Date" means, with respect to an Award, the date on which the Committee makes the determination granting such Award, or such later date as is determined by the Committee at the time it approves the grant. With respect to an Award granted under the automatic grant provisions of Section 12, "Grant Date" means the applicable date of grant specified in Section 12. The Grant Date of an Award shall not be earlier than the date the Award is approved by the Committee.

2.31 "Incentive Stock Option" means an Option to purchase Shares that by its terms qualifies as and is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

2.32 "Nonemployee Director" means a Director who is not an employee of the Company or any Affiliate.

2.33 "Nonemployee Director Compensation" means the cash retainer and meeting fees that are payable to a Nonemployee Director for service on the Board for a calendar year.

2.34 "Nonqualified Stock Option" means an option to purchase Shares that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

2.35 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.36 "Participant" means the holder of an outstanding Award.

2.37 "Performance Goals" means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Committee, the Performance Goals applicable to an Award shall provide for a targeted level or levels of achievement using one or more of the following measures: (a) Cash Flow, (b) Contract Value, (c) Earnings Per Share, (d) Economic Value Added, (e) Expense Management, (f) Profit, (g) Return on Capital, (h) Return on Equity, (i) Revenue and (j) Total Shareholder Return. Any Performance Goal used may be measured (1) in absolute terms, (2) in combination with another Performance Goal or Goals (for example, but not by way of limitation, as a ratio or matrix), (3) in relative terms (including, but not limited to, as compared to results for other periods of time, and/or against another company, companies or an index or indices), (4) on a per-share or per-capita basis, (5) against the performance of the Company as a whole or a specific business unit(s), business segment(s) or product(s) of the Company, and/or (6) on a pre-tax or after-tax basis. Prior to the Determination Date, the Committee, in its discretion, will determine whether any significant element(s) or item(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participants (for example, but not by way of limitation, the effect of mergers and acquisitions). As determined in the discretion of the Committee prior to the Determination Date, achievement of Performance Goals for a particular Award may be calculated in accordance with the Company's financial statements, prepared in accordance with generally accepted accounting principles, or as adjusted for certain costs, expenses, gains and losses to provide non-GAAP measures of operating results.

2.38 "Performance Period" means any Fiscal Quarter or such other period longer than a Fiscal Quarter, as determined by the Committee in its sole discretion.

2.39 "Performance Share" means an Award granted to a Participant pursuant to Section 9.

2.40 "Performance Unit" means an Award granted to a Participant pursuant to Section 8.

2.41 "Plan" means the Gartner, Inc. 2014 Long-Term Incentive Plan, as set forth in this instrument and as hereafter amended from time to time.

2.42 "Profit" means as to any Performance Period, income.

2.43 "Restricted Stock" means restricted Shares granted pursuant to a Restricted Stock Award.

2.44 "Restricted Stock Award" means an Award granted to a Participant pursuant to Section 7.

2.45 "Restricted Stock Unit" means an Award granted to a Participant pursuant to Section 10.

2.46 "Return on Capital" means as to any Performance Period, Profit divided by invested capital.

2.47 "Return on Equity" means as to any Performance Period, the percentage equal to Profit divided by stockholder's equity.

2.48 "Revenue" means as to any Performance Period, net sales.

2.49 "Rule 16b-3" means Rule 16b-3 promulgated under the 1934 Act, and any future regulation amending, supplementing or superseding such regulation.

2.50 "SAR" or "Stock Appreciation Right" means an Award, granted alone or in connection with a related Option, that pursuant to Section 6 is designated as an SAR.

2.51 "Section 16(b)" means Section 16(b) of the 1934 Act.

2.52 "Section 16 Person" means an individual who, with respect to Shares, is subject to Section 16 of the 1934 Act and the rules and regulations promulgated thereunder.

2.53 "Section 409A" means Section 409A of the Code.

2.54 "Shares" means the shares of common stock, par value $0.0005 per share, of the Company.

2.55 "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company as the corporation at the top of the chain, but only if each of the corporations below the Company (other than the last corporation in the unbroken chain) then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or if Section 424(f) of the Code is modified after the Effective Date, a "subsidiary corporation" as defined in Section 424(f) of the Code.

2.56 "Tax Obligations" means tax and social insurance liability obligations and requirements in connection with the Awards, including, without limitation, (a) all federal, state, and local taxes (including the Participant's Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the employing Affiliate, (b) the Participant's and, to the extent required by the Company (or Affiliate), the Company's (or Affiliate's) fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of an Award or sale of Shares, and (c) any other Company (or Affiliate) taxes the responsibility for which the Participant has, or has agreed to bear, with respect to such Award (or exercise thereof or issuance of Shares thereunder).

2.57 "Termination of Service" means (a) in the case of an Employee, a cessation of the employee-employer relationship between the Employee and the Company or an Affiliate for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability, retirement or the disaffiliation of an Affiliate, but excluding any such termination where there is a simultaneous reemployment by the Company or an Affiliate; (b) in the case of a Consultant, a cessation of the service relationship between the Consultant and the Company or an Affiliate for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability, or the disaffiliation of an Affiliate, but excluding any such termination where there is a simultaneous re-engagement of the consultant by the Company or an Affiliate; and (c) in the case of a Nonemployee Director, a cessation of the Director's service on the Board for any reason, including, but not by way of limitation, a termination by resignation, death, Disability or non-reelection to the Board. The Committee, in its discretion, may specify in an Award Agreement whether or not a Termination of Service will be deemed to occur when a Participant changes capacities (for example, when an Employee ceases to be such but immediately thereafter becomes a Consultant).

2.58 "Total Shareholder Return" means as to any Performance Period, the total return (change in share price, including treatment of dividends, if any, as determined by the Committee) of a Share.

## SECTION 3

## ADMINISTRATION

3.1 The Committee. The Plan shall be administered by the Committee. The Committee shall consist of not less than two (2) Directors who shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. The Committee shall be comprised solely of Directors who are (a) "outside directors" under Section 162(m), and (b) "non-employee directors" under Rule 16b-3.

3.2 Authority of the Committee. It shall be the duty of the Committee to administer the Plan in accordance with the Plan's provisions. The Committee shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (a) determine which Employees, Consultants and Directors shall be granted Awards, (b) prescribe the terms and conditions of the Awards, (c) interpret the Plan and the Awards, (d) adopt such procedures and subplans as are necessary or appropriate for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws, (e) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (f) interpret, amend or revoke any such rules. Notwithstanding the preceding, the Committee shall not implement an Exchange Program without the approval of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at any Annual or Special Meeting of Stockholders of the Company.

3.3 Delegation by the Committee. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or any part of its authority and powers under the Plan to one or more Directors or officers of the Company, except that the Committee may not delegate all or any part of its authority under the Plan with respect to Awards granted to any individual who is subject to Section 16(b). Notwithstanding the foregoing, with respect to Awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee may not delegate its authority and powers with respect to such Awards if such delegation would cause the Awards to fail to so qualify. To the extent of any delegation by the Committee, references to the Committee in this Plan and any Award Agreement shall be deemed also to include reference to the applicable delegate(s).

3.4 Decisions Binding. All interpretations, determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan shall be final, conclusive, and binding on all persons, and shall be given the maximum deference permitted by law.

## SECTION 4

## SHARES SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to adjustment as provided in Section 4.3, the total number of Shares available issuance under the Plan shall not exceed the sum of (a) not more than 2,200,000 Shares, plus (b) the number of Shares that, as of May 29, 2014, remain available for issuance under the Company's 2003 Long-Term Incentive Plan, for a total not to exceed 8,000,000 Shares. (The 2003 Long-Term Incentive Plan will be terminated on the Effective Date and no further awards will be made under that plan, assuming in each case that stockholder approval of this Plan is obtained at the 2014 Annual Meeting). Shares granted under the Plan may be either authorized but unissued Shares or treasury Shares.

4.2 Return of Certain Shares. If an Award expires without having been exercised in full, or is forfeited to or repurchased by the Company, the unpurchased, forfeited or repurchased Shares that were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon exercise of an Option or Stock Appreciation Right settled in Shares, only the net number of Shares covered by the portion of the Award so exercised will cease to be available under the Plan. Shares used to pay the exercise or purchase price of an Award and/or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not reduce the number of Shares available for issuance under the Plan. Notwithstanding the foregoing provisions of this Section 4.2, subject to adjustment provided in Section 4.3, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 4.1, plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under this Section 4.2.

4.3 Adjustments in Awards and Authorized Shares. In the event that any dividend (other than regular, ongoing dividends) or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares such that an adjustment is determined by the Committee (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust the number, type and class of shares (or other equity interests) that may be delivered under the Plan, the number, type class, and price of shares (or other equity interests) subject to outstanding Awards, and the numerical limits of Sections 5.1, 6.1, 7.1, 8.1, 9.1, and 10.1. Notwithstanding the preceding, the number of shares (or other equity interests) subject to any Award always shall be a whole number.

4.4 Change of Control. In the event of a Change of Control, each outstanding Award will be treated as the Committee (in its discretion) determines, including, without limitation, that each Award be assumed or an equivalent option or right be substituted by the successor corporation or a parent or Subsidiary of the successor corporation. The Committee will not be required to treat all Awards similarly in the transaction.

4.4.1 Non-Assumption of Awards. If, in connection with a Change of Control, the successor corporation (or a parent or Subsidiary of the successor corporation) does not assume or substitute outstanding Awards, with respect to such Awards and no later than immediately prior to the Change of Control: (a) each Participant will vest fully in, and have the right to exercise, all of such Awards that are Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, (b) all other such Awards that are not Options or SARs will fully vest and any applicable restrictions will lapse, and (c) with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or SAR granted is not assumed or substituted in the event of a Change of Control, the Option or Stock Appreciation Right will terminate upon the Change of Control provided that either (1) before the Change of Control, the Committee notifies the Participant in writing or electronically that the Option or SAR will be exercisable for a period of time determined by the Committee in its sole discretion, or (2) immediately after the Change of Control, the Participant receives a cash payment equal to the Fair Market Value (calculated at the time of the Change of Control) of the Shares covered by the Option or SAR, minus the Exercise Price of the Shares covered by the Option or SAR. All Awards that become fully vested pursuant to this Section 4.4.1 will terminate and expire upon the occurrence of the Change of Control.

4.4.2 Assumption. For the purposes of this Section 4.4, an Award will be considered assumed if, following the Change of Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change of Control, the consideration (whether stock, cash, or other securities or property) received in the Change of Control by holders of Shares held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the greatest number of holders of outstanding Shares); provided, however, that if such consideration received in the Change of Control is not solely common stock of the successor corporation or its parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or SAR or upon the payout of any other Award, for each Share subject to such Award, 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 Shares in the Change of Control. Notwithstanding anything in this Section 4.4 to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change of Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

## SECTION 5

## STOCK OPTIONS

5.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Employees, Directors and Consultants at any time and from time to time as determined by the Committee in its sole discretion. The Committee, in its sole discretion, shall determine the number of Shares subject to each Option, provided that during any Fiscal Year, no Participant shall be granted Options (and/or SARs) covering more than a total of 2,000,000 Shares. The Committee may grant Incentive Stock Options, Nonqualified Stock Options, or a combination thereof.

5.2 Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the Exercise Price, the expiration date of the Option, the number of Shares covered by the Option, any conditions to exercise the Option, and such other terms and conditions as the Committee, in its discretion, shall determine. The Award Agreement shall also specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

5.3 Exercise Price. Subject to the provisions of this Section 5.3, the Exercise Price for each Option shall be determined by the Committee in its sole discretion.

5.3.1 Nonqualified Stock Options. The Exercise Price of each Nonqualified Stock option shall be determined by the Committee in its discretion but shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date.

5.3.2 Incentive Stock Options. In the case of an Incentive Stock Option, the Exercise Price shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date; provided, however, that if on the Grant Date, the Employee (together with persons whose stock ownership is attributed to the Employee pursuant to Section 424(d) of the Code) owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the Exercise Price shall be not less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the Grant Date.

5.3.3 Substitute Options. Notwithstanding the other provisions of this Section 5.3, in the event that the Company or a Subsidiary consummates a transaction described in Section 424(a) of the Code (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees, Nonemployee Directors or Consultants on account of such transaction may be granted Options in substitution for options granted by their former employer. If such substitute Options are granted, the Committee, in its sole discretion and consistent with Section 424(a) of the Code, may determine that such substitute Options shall have an Exercise Price less than one hundred percent (100%) of the Fair Market Value of the Shares on the Grant Date.

5.4 Expiration of Options.

5.4.1 Expiration Dates. Each Option shall terminate no later than the first to occur of the following events:

(a) The date for termination of the Option set forth in the Award Agreement; or

(b) The expiration of ten (10) years from the Grant Date.

5.4.2 Committee Discretion. Subject to the ten (10)-year limit of Section 5.4.1, the Committee, in its sole discretion, (a) shall provide in each Award Agreement when each Option expires and becomes unexercisable, and (b) may, after an Option is granted, extend the maximum term of the Option (subject to Section 5.8.4 regarding Incentive Stock Options). With respect to the Committee's authority in Section 5.4.2(b), if, at the time of any such extension, the Exercise Price of the Option is less than the Fair Market Value of a Share, the extension shall, unless otherwise determined by the Committee, be limited to the earlier of (1) the maximum term of the Option as set by its originals terms, or (2) ten (10) years from the Grant Date. Unless otherwise determined by the Committee, any extension of the term of an Option pursuant to this Section 5.4.2 shall comply with Section 409A to the extent applicable.

5.5 Exercisability of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall determine in its sole discretion (but subject to Section 13.12). An Option may not be exercised for a fraction of a Share. After an Option is granted, the Committee, in its sole discretion (but subject to Section 13.12), may accelerate the exercisability of the Option.

5.6 Payment. In order to exercise an Option, the Participant shall give notice in the form specified by the Company and follow such procedures as the Company (or its designee) may specify from time to time. Exercise of an Option also requires that the Participant make arrangements satisfactory to the Company for full payment of the Exercise Price for the Shares. All exercise notices shall be given in the form and manner specified by the Company from time to time.

The Exercise Price shall be payable to the Company in full in cash or its equivalent. The Committee, in its sole discretion, also may permit exercise (a) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price, or (b) by any other means which the Committee, in its sole discretion, determines to both provide legal consideration for the Shares, and to be consistent with the purposes of the Plan. As soon as practicable after receipt of a notification of exercise satisfactory to the Company and full payment for the Shares purchased, the Company shall deliver to the Participant (or the Participant's designated broker), Share certificates (which may be in book entry form) representing such Shares. Until the Shares are 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 stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares 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 Shares are issued, except as provided in Section 4.3 of the Plan.

5.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option as it may deem advisable, including, but not limited to, restrictions related to applicable federal securities laws, the requirements of any national securities exchange or system upon which Shares are then listed or traded, or any blue sky or state securities laws.

5.8 Certain Additional Provisions for Incentive Stock Options.

5.8.1 Exercisability. The aggregate Fair Market Value (determined on the Grant Date(s)) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by any Employee during any calendar year (under all plans of the Company and its Subsidiaries) shall not exceed $100,000.

5.8.2 Termination of Service. No Incentive Stock Option may be exercised more than three (3) months after the Participant's Termination of Service for any reason other than Disability or death, unless (a) the Participant dies during such three-month period, and/or (b) the Award Agreement or the Committee permits later exercise (in which case the Option instead may be deemed to be a Nonqualified Stock Option). No Incentive Stock Option may be exercised more than one (1) year after the Participant's Termination of Service on account of Disability, unless (a) the Participant dies during such one-year period, and/or (b) the Award Agreement or the Committee permit later exercise (in which case the option instead may be deemed to be a Nonqualified Stock Option).

5.8.3 Employees Only. Incentive Stock Options may be granted only to persons who are employees of the Company or a Subsidiary on the Grant Date.

5.8.4 Expiration. No Incentive Stock Option may be exercised after the expiration of ten (10) years from the Grant Date; provided, however, that if the Option is granted to an Employee who, together with persons whose stock ownership is attributed to the Employee pursuant to Section 424(d) of the Code, owns stock possessing more than 10% of the total combined voting power of all classes of the stock of the Company or any of its Subsidiaries, the Option may not be exercised after the expiration of five (5) years from the Grant Date.

5.8.5 Leave of Absence. For purposes of Incentive Stock Options, no leave of absence may exceed three (3) months, 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, then six (6) months following the first (1st) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonqualified Stock Option.

## SECTION 6

## STOCK APPRECIATION RIGHTS

6.1 Grant of SARs. Subject to the terms and conditions of the Plan, a SAR may be granted to Employees, Directors and Consultants at any time and from time to time as shall be determined by the Committee, in its sole discretion.

6.1.1 Number of Shares. The Committee shall have complete discretion to determine the number of SARs granted to any Participant, provided that during any Fiscal Year, no Participant shall be granted SARs (and/or Options) covering more than a total of 2,000,000 Shares.

6.1.2 Exercise Price and Other Terms. The Committee, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan. The Exercise Price of each SAR shall be determined by the Committee in its discretion but shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date. Notwithstanding the foregoing, SARs may be granted with a per Share Exercise Price of less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date pursuant to the rules of Section 5.3.3, which also shall apply to SARs.

6.2 SAR Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Committee, in its sole discretion, shall determine (but subject to Section 13.12).

6.3 Expiration of SARs. An SAR granted under the Plan shall expire upon the date determined by the Committee, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 5.4 also shall apply to SARs.

6.4 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times

(b) The number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued under the SAR, except as provided in Section 4.3 of the Plan.

## SECTION 7

## RESTRICTED STOCK AWARDS

7.1 Grant of Restricted Stock Awards. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Employees, Directors and Consultants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Shares to be granted to each Participant, provided that during any Fiscal Year, no Participant shall receive more than a total of 1,000,000 Shares of Restricted Stock (and/or Performance Shares or Restricted Stock Units).

7.2 Restricted Stock Award Agreement. Each Restricted Stock Award shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine (but subject to Section 13.12). Unless the Committee (or its designee(s)) determine otherwise, Shares of Restricted Stock shall be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

7.3 Transferability. Except as provided in this Section 7 or Section 13.8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable vesting period.

7.4 Other Restrictions. The Committee, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate, in accordance with this Section 7.4.

7.4.1 General Restrictions. The Committee may set restrictions based upon the Participant's continued employment or service with the Company and its Affiliates, the achievement of specific performance objectives (Company-wide, departmental, or individual), applicable federal or state securities laws, or any other basis determined by the Committee in its discretion (for example, but not by way of limitation, continuous service as an Employee, Director or Consultant).

7.4.2 Section 162(m) Performance Restrictions. For purposes of qualifying Restricted Stock Awards as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the Determination Date. In granting Restricted Stock Awards which are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock Award under Section 162(m) of the Code (e.g., in determining the Performance Goals).

7.4.3 Legend on Certificates. The Committee, in its discretion, may require that a legend be placed on the certificates representing Restricted Stock to give appropriate notice of the applicable restrictions.

7.5 Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock Award shall be released from escrow as soon as practicable after the last day of the vesting period. The Committee, in its discretion and subject to Section 13.12, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend(s) under Section 7.4.3 removed from his or her Share certificate(s), and the Shares shall be freely transferable by the Participant. The Committee (in its discretion) may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company

7.6 Voting Rights. During the vesting period, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Committee determines otherwise.

7.7 Dividends and Other Distributions. During the vesting period, Participants holding Shares of Restricted Stock shall be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. Any such dividends or distribution shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid, unless otherwise provided in the Award Agreement.

7.8 Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed shall be forfeited to the Company and, except as otherwise determined by the Committee and subject to Section 4.2, again shall become available for grant under the Plan.

## SECTION 8

## PERFORMANCE UNITS

8.1 Grant of Performance Units. Performance Units may be granted to Employees, Directors and Consultants at any time and from time to time, as shall be determined by the Committee, in its sole discretion. The Committee shall have complete discretion in determining the number of Performance Units granted to each Participant provided that during any Fiscal Year, no Participant shall receive Performance Units having an initial value greater than $5,000,000.

8.2 Value of Performance Units. Each Performance Unit shall have an initial value that is established by the Committee on or before the Grant Date.

8.3 Performance Objectives and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria (subject to Section 13.12) that, depending on the extent to which they are met, will determine the number or value of Performance Units that will be paid out to the Participants. Each Award of Performance Units shall be evidenced by an Award Agreement that shall specify any applicable Performance Period, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

8.3.1 General Performance Objectives or Vesting Criteria. The Committee may set performance objectives or vesting criteria based upon the achievement of Company-wide, departmental, or individual goals, applicable federal or state securities laws, or any other basis determined by the Committee in its discretion (for example, but not by way of limitation, continuous service as an Employee, Director or Consultant).

8.3.2 Section 162(m) Performance Objectives. For purposes of qualifying grants of Performance Units as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may determine that the performance objectives applicable to Performance Units shall be based on the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the Determination Date. In granting Performance Units that are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Performance Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).

8.4 Earning of Performance Units. After the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive a payout of the number of Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. After the grant of a Performance Unit, the Committee, in its sole discretion (but subject to Section 13.12), may reduce or waive any performance objectives for such Performance Unit and may accelerate the time at which any restrictions will lapse or be removed.

8.5 Form and Timing of Payment of Performance Units. Payment of earned Performance Units shall be made as soon as practicable after the expiration of the applicable Performance Period (subject to any deferral permitted under Section 13.1), or as otherwise provided in the applicable Award Agreement or as required by Applicable Laws. The Committee, in its sole discretion, may pay earned Performance Units in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period) or in a combination thereof.

8.6 Cancellation of Performance Units. On the date set forth in the Award Agreement, all unearned or unvested Performance Units shall be forfeited to the Company, and, except as otherwise determined by the Committee and subject to Section 4.2, again shall be available for grant under the Plan.

## SECTION 9

## PERFORMANCE SHARES

9.1 Grant of Performance Shares. Performance Shares may be granted to Employees, Directors and Consultants at any time and from time to time, as shall be determined by the Committee, in its sole discretion. The Committee shall have complete discretion in determining the number of Performance Shares granted to each Participant, provided that during any Fiscal Year, no Participant shall be granted more than a total of 1,000,000 Performance Shares (and/or Shares of Restricted Stock or Restricted Stock Units).

9.2 Value of Performance Shares. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date.

9.3 Performance Share Agreement. Each Award of Performance Shares shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Performance Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

9.4 Performance Objectives and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria (subject to Section 13.12) that, depending on the extent to which they are met, will determine the number or value of Performance Shares that will be paid out to the Participants. Each Award of Performance Shares shall be evidenced by an Award Agreement that shall specify the Performance Period, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

9.4.1 General Performance Objectives or Vesting Criteria. The Committee may set performance objectives or vesting criteria based upon the achievement of Company-wide, departmental, or individual goals, applicable federal or state securities laws, or any other basis determined by the Committee in its discretion (for example, but not by way of limitation, continuous service as an Employee, Director or Consultant).

9.4.2 Section 162(m) Performance Objectives. For purposes of qualifying grants of Performance Shares as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may determine that any performance objectives applicable to Performance Shares shall be based on the achievement of Performance Goals. In that case, the Performance Goals shall be set by the Committee on or before the Determination Date. In granting Performance Shares that are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Performance Shares under Section 162(m) of the Code (e.g., in determining the Performance Goals).

9.5 Earning of Performance Shares. After the applicable Performance Period has ended, the holder of Performance Shares shall be entitled to receive a payout of the number of Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. After the grant of a Performance Share, the Committee, in its sole discretion, may reduce or waive any performance objectives for such Performance Share and may accelerate the time at which any restrictions will lapse or be removed (but in all cases subject to Section 13.12).

9.6 Form and Timing of Payment of Performance Shares. Payment of vested Performance Shares shall be made as soon as practicable after the expiration of the applicable Performance Period (subject to any deferral permitted under Section 13.1), or as otherwise provided in the applicable Award Agreement or as required by Applicable Laws. The Committee, in its sole discretion, may pay earned Performance Shares in the form of cash, in Shares or in a combination thereof.

9.7 Cancellation of Performance Shares. On the date set forth in the Award Agreement, all unvested Performance Shares shall be forfeited to the Company, and except as otherwise determined by the Committee and subject to Section 4.2, again shall be available for grant under the Plan.

## SECTION 10

## RESTRICTED STOCK UNITS

10.1 Grant of Restricted Stock Units. Restricted Stock Units may be granted to Employees, Directors and Consultants at any time and from time to time, as shall be determined by the Committee, in its sole discretion. The Committee shall have complete discretion in determining the number of Restricted Stock Units granted to each Participant, provided that during any Fiscal Year, no Participant shall be granted more than a total of 1,000,000 Restricted Stock Units (and/or Shares of Restricted Stock or Performance Shares).

10.2 Value of Restricted Stock Units. Each Restricted Stock Unit shall have an initial value equal to the Fair Market Value of a Share on the Grant Date.

10.3 Restricted Stock Unit Agreement. Each Award of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Restricted Stock Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

10.4 Vesting and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria (subject to Section 13.12) that, depending on the extent to which they are met, will determine the number or value of Restricted Stock Units that will be paid out to the Participants. Each Award of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Performance Period, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

10.4.1 General Performance Objectives or Vesting Criteria. The Committee may set performance objectives or vesting criteria based upon the achievement of Company-wide, departmental, or individual goals, applicable federal or state securities laws, or any other basis determined by the Committee in its discretion (for example, but not by way of limitation, continuous service as an Employee, Director or Consultant).

10.4.2 Section 162(m) Performance Objectives. For purposes of qualifying grants of Restricted Stock Units as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may determine that any performance objectives applicable to Restricted Stock Units shall be based on the achievement of Performance Goals. In that case, the Performance Goals shall be set by the Committee on or before the Determination Date. In granting Restricted Stock Units that are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).

10.5 Earning of Restricted Stock Units. After the applicable vesting period has ended, the holder of Restricted Stock Units shall be entitled to receive a payout of the number of Restricted Stock Units earned by the

Participant over the vesting period. After the grant of a Restricted Stock Unit, the Committee, in its sole discretion, may reduce or waive any vesting condition that must be met to receive a payout for such Restricted Stock Unit and may accelerate the time at which any restrictions will lapse or be removed (but in all cases subject to Section 13.12).

10.6 Form and Timing of Payment of Restricted Stock Units. Payment of vested Restricted Stock Units shall be made as soon as practicable after the date(s) set forth in the Award Agreement (subject to any deferral permitted under Section 13.1) or as otherwise provided in the applicable Award Agreement or as required by Applicable Laws. The Committee, in its sole discretion, may pay Restricted Stock Units in the form of cash, in Shares or in a combination thereof.

10.7 Cancellation of Restricted Stock Units. On the date set forth in the Award Agreement, all unearned Restricted Stock Units shall be forfeited to the Company, and except as otherwise determined by the Committee and subject to Section 4.2, again shall be available for grant under the Plan.

## SECTION 11

## PERFORMANCE-BASED COMPENSATION UNDER CODE SECTION 162(m)

11.1 General. If the Committee, in its discretion, decides to grant an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the provisions of this Section 11 will control over any contrary provision in the Plan. The Committee, in its discretion, also may grant Awards that are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

11.2 Performance Goals. The granting and/or vesting of Awards of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units and other incentives under the Plan may, in the discretion of the Committee, be made subject to the achievement of one or more Performance Goals.

11.3 Procedures. To the extent necessary to comply with the "performance-based compensation" provisions of Section 162(m) of the Code, with respect to any Award granted subject to Performance Goals and intended to qualify as "performance-based compensation" under such section, on or before the Determination Date (i.e., within the first twenty-five percent (25%) of the Performance Period, but in no event more than ninety (90) days following the commencement of any Performance Period or such other time as may be required or permitted by Section 162(m) of the Code), the Committee will, in writing, (i) designate one or more Participants to whom an Award will be made, (ii) determine the Performance Period, (iii) establish the Performance Goals and amounts that may be earned for the Performance Period, and (iv) determine any other terms and conditions applicable to the Award(s).

11.4 Additional Limitations. Notwithstanding any other provision of the Plan, any Award that is granted to a Participant and is intended to constitute qualified "performance-based compensation" under Section 162(m) of the Code will be subject to any additional limitations set forth in the Code (including any amendment to Section 162(m)) or any regulations and ruling issued thereunder that are requirements for qualification as "performance-based compensation" under Section 162(m) of the Code, and the Plan will be deemed amended to the extent necessary to conform to such requirements.

11.5 Determination of Amounts Earned. Following the completion of each Performance Period, the Committee will certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. A Participant will be eligible to receive payment pursuant to an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code for a Performance Period only if the Performance Goals for such period are achieved. In determining the amounts earned by a Participant pursuant to an Award intended to qualified as "performance-based compensation" under Section 162(m) of the Code, the Committee will have the right to (a) reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period, (b) determine what actual Award, if any, will be paid in the event of a termination of employment as the result of a Participant's death or disability or upon a Change of Control or in the event of a termination of employment following a Change of Control prior to the end of the Performance Period, and (c) determine what actual Award, if any, will be paid in the event of a termination of employment other than as the result of a Participant's death or Disability prior to a Change of Control and prior to the end of the Performance Period to the extent an actual Award would have otherwise been achieved had the Participant remained employed through the end of the Performance Period.

## SECTION 12

## NONEMPLOYEE DIRECTOR AWARDS

12.1 General. As determined in the discretion of the Committee, Nonemployee Directors will be eligible to be granted all types of Awards under this Plan, including discretionary Awards not covered under this Section 12. All grants of CSEs to Nonemployee Directors pursuant to this Section 12 will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions. Notwithstanding any contrary provision of the Plan, no Participant who is a Nonemployee Director may be granted Awards during any Fiscal Year having a Grant Date fair value in excess of $1,500,000 (calculated using the assumptions and methods used for recording compensation expense in the Company's financial statements).

12.2 Award of Common Stock Equivalents. On an annual basis, each Nonemployee Director may elect to receive up to 50% of his or her Nonemployee Director Compensation in cash and the balance in CSEs. If a Nonemployee Director does not make such an election, his or her Nonemployee Director Compensation shall be paid 100% in CSEs. A Nonemployee Director also may elect to have CSEs delivered as Shares immediately upon grant instead of upon ceasing to be a member of the Board as set forth in Section 12.3 below. Elections under this Section 12.2 must be made no later than December 31st (or such earlier date as the Company may specify) of each calendar year with respect to Nonemployee Director Compensation to be earned for services to be performed as a Nonemployee Director during the following calendar year. Any such election shall remain in effect until changed or terminated by making a new election with respect to Nonemployee Director Compensation to be earned in the following calendar year, provided that such election must be made no later than the December 31st immediately preceding such calendar year. On the first business day of each of Fiscal Quarter, the Company shall grant to each Nonemployee Director that number of CSEs equal to that portion of his or her Nonemployee Director Compensation for the immediately preceding quarter that he or she has elected to receive in CSEs, divided by the Fair Market Value of a Share on such day.

12.2.1 Book-Entry Account; Nontransferability. The number of CSEs awarded to each Nonemployee Director shall be credited to a book-entry account established in the name of the Nonemployee Director. The Company's obligation with respect to such Common Stock Equivalents will not be funded or secured in any manner. No Common Stock Equivalent may be sold, pledged, assigned, transferred or disposed of in any manner, other than by will, the laws of descent or distribution or pursuant to a qualified domestic relations order, and may be exercised during the life of the Nonemployee Director only by the Nonemployee Director or a permitted transferee.

12.2.2 Dividends. If the Company pays a cash dividend with respect to the Shares at any time while CSEs are credited to an Nonemployee Director's account, additional CSEs shall be credited to the Nonemployee Director's account equal to (a) the dollar amount of the cash dividend the Nonemployee Director would have received had he or she been the actual owner of the Shares to which the CSEs then credited to the Nonemployee Director's account relate, divided by (b) the Fair Market Value of one Share on the dividend payment date.

12.2.3 Stockholder Rights. A Nonemployee Director (or his or her designated beneficiary or estate) shall not be entitled to any voting or other stockholder rights as a result of the credit of CSEs to the Nonemployee Director's account, until certificates representing Shares are delivered to the Nonemployee Director (or his or her designated beneficiary or estate) upon conversion of the Nonemployee Director's CSEs to Shares pursuant to Section 12.3.

12.3 Settlement and Payment. On the date on which a Nonemployee Director ceases to be a member of the Board for any reason, the Company shall deliver to the Nonemployee Director (or his or her designated beneficiary or estate) a number of Shares equal to the whole number of CSEs then credited to the Nonemployee Director's account, or at the Nonemployee Director's option, shall have the Shares credited to an account for the

Director with a brokerage firm of the Nonemployee Director's choosing. Notwithstanding the foregoing, if the Nonemployee Director made a timely election under Section 12.2 to have any grants of CSEs delivered as Shares immediately upon grant, the Company instead shall deliver the Shares as described on the Grant Date.

## SECTION 13

## ADDITIONAL PROVISIONS

13.1 Deferrals. The Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion and, unless otherwise expressly determined by the Committee, shall comply with the requirements of Section 409A.

13.2 Compliance with Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Committee. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, including with respect to any ambiguities or ambiguous terms, except as otherwise determined in the sole discretion of the Committee. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. Each payment or benefit under this Plan and under each Award Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

13.3 No Effect on Employment or Service. Nothing in the Plan or any Award shall interfere with or limit in any way the right of the Company to terminate any Participant's employment or service at any time, with or without cause. For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Affiliates (or between Affiliates) shall not be deemed a Termination of Service. Employment with the Company and its Affiliates is on an at-will basis only.

13.4 Participation. No Employee, Director or Consultant shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

13.5 Indemnification. Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (a) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award Agreement, and (b) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

13.6 Successors. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

13.7 Beneficiary Designations. If permitted by the Committee, a Participant under the Plan may name a beneficiary or beneficiaries to whom any vested but unpaid Award shall be paid in the event of the Participant's death. Each such designation shall revoke all prior designations by the Participant and shall be effective only if given in a form and manner acceptable to the Committee. In the absence of any such designation, any vested benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate and, subject to the terms of the Plan and of the applicable Award Agreement, any unexercised vested Award may be exercised by the administrator or executor of the Participant's estate.

13.8 Limited Transferability of Awards. No Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the limited extent provided in Section 13.7. All rights with respect to an Award granted to a Participant shall be available during his or her lifetime only to the Participant. Notwithstanding the foregoing, a Participant may, if the Committee (in its discretion) so permits, transfer an Award to an individual or entity other than the Company for estate planning or charitable purposes. Any such transfer shall be made as a gift (i.e., without consideration) and in accordance with such procedures as the Committee may specify from time to time.

13.9 No Rights as Stockholder. Except to the limited extent provided in Sections 7.6 and 7.7, no Participant (nor any beneficiary) shall have any of the rights or privileges of a stockholder of the Company with respect to any Shares issuable pursuant to an Award (or exercise thereof), unless and until certificates representing such Shares (which may be in book entry form) shall have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant (or beneficiary).

13.10 Vesting of Awards following Change of Control. If, within 12 months after a Change of Control, a Participant's employment is terminated by the Company without Cause, the vesting of each outstanding Award held by such Participant that was granted prior to the Change of Control shall be accelerated and treated as described in Section 4.4.1, as if the Award was not assumed or substituted for in the Change of Control. If a Participant who is a Nonemployee Director ceases to be such as of the date of a Change of Control (and does not become a member of the board of directors of the successor corporation, or a parent of the successor corporation), the vesting of each outstanding Award then held by the Participant that was granted on or after the Effective Date shall be accelerated as described in Section 4.4.1, as if the Award was not assumed or substituted for in the Change of Control. The accelerated vesting provided by this Section 13.10 shall not apply to an Award if: (a) the applicable Award Agreement specifically provides that the provisions of this Section 13.10 shall not apply to the Award, or (b) the Participant's employment or service on the Board is terminated due to the Participant's death or Disability.

13.11 Cancellation or Forfeiture of Awards. Notwithstanding any contrary provision of the Plan, the Committee, in its sole discretion, may require a Participant to forfeit, return or reimburse the Company all or any portion of his or her Actual Award, to the extent required by law or provided under any claw-back or similar policy adopted by the Company in the event of fraud, breach of a fiduciary duty, restatement of financial statements, or violation of material Company policies or agreements. In enforcing the preceding sentence, and without limiting the authority of the Committee, the Committee, in its sole and absolute discretion, may choose to cancel, rescind, forfeit, suspend or otherwise limit or restrict any unexpired Award and/or with respect to any Award for which vested Shares and/or cash already have been delivered or credited, rescind such delivery or credit or require the Participant pay to the Company Shares or cash having a value equal to the delivered or credited amount (including any subsequent increase in value). The Company shall be entitled to set off any such amount owed to the Company against any amount owed to the Participant by the Company, to the extent permitted by law.

13.12 Minimum Vesting Period for Awards. Each Award shall be granted with a vesting schedule that provides that the Award will not vest or become exercisable until at least the one (1) year anniversary of the Grant Date of such Award, subject to the other provisions of the Plan (including, without limitation, Section 4.4, Section 13.10, and the provisions of the Plan granting the Committee authority to accelerate the vesting of Awards). Notwithstanding the preceding, (a) with respect to Awards that, in the aggregate, result in the issuance of no more than five percent (5%) of the Shares authorized under Section 4.1, Awards may be granted (or outstanding Awards held may be modified to the extent otherwise permissible under the Plan) without regard to the one (1) year minimum vesting requirement, and (b) to the extent determined by the Committee in its discretion, the one (1) year minimum vesting requirement shall not apply in the case of the Participant's death, Disability or retirement.

## SECTION 14

## AMENDMENT, TERMINATION, AND DURATION

14.1 Amendment, Suspension, or Termination. The Board, in its sole discretion, may amend, suspend or terminate the Plan, or any part thereof, at any time and for any reason. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with applicable laws. In addition, an amendment will be subject to stockholder approval if the Committee or the Board, in their sole discretion, deems such amendment to be a material amendment, except with respect to such an amendment that will impact Awards covering, in the aggregate, no more than five percent (5%) of the shares reserved for issuance under the Plan. The following amendments shall be deemed material amendments for purposes of the preceding sentence: (a) material increases to the benefits accrued to Participants under the Plan; (b) increases to the number of securities that may be issued under the Plan; (c) material modifications to the requirements for participation in the Plan, and (d) the addition of a new provision allowing the Committee to lapse or waive restrictions at its discretion. The amendment, suspension, or termination of the Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Award theretofore granted to such Participant. No Award may be granted during any period of suspension or after termination of the Plan. Termination of the Plan will not affect the Committee's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

14.2 Duration of the Plan. The Plan shall be effective as of the Effective Date, and subject to Section 14.1 (regarding the Board's right to amend or terminate the Plan), shall remain in effect until the earlier of (a) the date for termination selected by the Board, or (b) February 3, 2024.

## SECTION 15

## TAX WITHHOLDING

15.1 Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), or at such earlier time as the Tax Obligations are due, the Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all Tax Obligations.

15.2 Withholding Arrangements. The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, may designate the method or methods by which a Participant may satisfy such Tax Obligations. As determined by the Committee in its discretion from time to time, these methods may include one or more of the following: (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the amount required to be withheld, (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum amount required to be withheld or remitted, provided the delivery of such Shares will not result in any adverse accounting consequences as the Committee determines in its sole discretion, (d) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Committee may determine in its sole discretion (whether through a broker or otherwise) equal to the Tax Obligations required to be withheld, (e) retaining from salary or other amounts payable to the Participant cash having a sufficient value to satisfy the Tax Obligations, or (f) any other means which the Committee, in its sole discretion, determines to both comply with Applicable Laws, and to be consistent with the purposes of the Plan. The amount of Tax Obligations will be deemed to include any amount that the Committee agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant or the Company, as applicable, with respect to the Award on the date that the amount of tax or social insurance liability to be withheld or remitted is to be determined. The Fair Market Value of the Shares to be withheld or delivered shall be determined as of the date that the Tax Obligations are required to be withheld.

## SECTION 16

## LEGAL CONSTRUCTION

16.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

16.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.3 Requirements of Law. Shares shall not be issued pursuant to the exercise or vesting of an Award unless the exercise or vesting of such Award and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

16.4 Securities Law Compliance. With respect to Section 16 Persons, transactions under this Plan are intended to qualify for the exemption provided by Rule 16b-3. To the extent any provision of the Plan, Award Agreement or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable or appropriate by the Committee.

16.5 Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award 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.

16.6 Inability to Obtain Authority. The Company will not be required to issue any Shares, cash or other property under the Plan unless all the following conditions are satisfied: (a) the admission of the Shares or other property to listing on all stock exchanges on which such class of stock or property then is listed; (b) the completion of any registration or other qualification or rule compliance of the Shares under any U.S. state or federal law or under the rulings or regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental regulatory body, as counsel to the Company, in its absolute discretion, deems necessary or advisable; (c) the obtaining of any approval or other clearance from any U.S. federal, state or other governmental agency, which counsel to the Company, in its absolute discretion, determines to be necessary or advisable; and (d) the lapse of such reasonable period of time following the Grant Date, vesting and/or exercise as the Company may establish from time to time for reasons of administrative convenience. If the Committee determines, in its absolute discretion, that after reasonable, good faith efforts by the Company, one or more of the preceding conditions will not be satisfied, the Company automatically will be relieved of any liability with respect to the failure to issue the Shares, cash or other property as to which such requisite authority will not have been obtained.

16.7 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware (with the exception of its conflict of laws provisions).

16.8 Captions. Captions are provided herein for convenience only, and shall not serve as a basis for interpretation or construction of the Plan.

**Exhibit 31.1**

**CERTIFICATION**

I, Eugene A. Hall, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, of Gartner, Inc.;

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

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

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

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

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

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

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

May 4, 2017

/s/ Eugene A. Hall

Eugene A. Hall

Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Craig W. Safian, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, of Gartner, Inc.;

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

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

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

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

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

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

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

May 4, 2017

/s/ Craig W. Safian

Craig W. Safian
Chief Financial Officer

**Exhibit 32**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Gartner, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), as Chief Executive Officer of the Company and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene A. Hall

Name: Eugene A. Hall
Title: Chief Executive Officer
Date: May 4, 2017

/s/ Craig W. Safian

Name: Craig W. Safian
Title: Chief Financial Officer
Date: May 4, 2017

A signed original of this written statement required by Section 906 has been provided to Gartner, Inc. and will be retained by Gartner, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.