COLUMBIA PROPERTY TRUST, INC.
Form 10-Q
April 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended March 31, 2015
OR
o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from ______ to ______
Commission file number 001-36113
COLUMBIA PROPERTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	20-0068852 (I.R.S. Employer Identification Number)

One Glenlake Parkway, Suite 1200
Atlanta, GA 30328
(Address of principal executive offices)
(Zip Code)
(404) 465-2200
(Registrant's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filerx		Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

Number of shares outstanding of the registrant's
only class of common stock, as of April 24, 2015: 125,077,771 shares

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of Columbia Property Trust, Inc. ("Columbia Property Trust," "the Company," "we," "our," or "us") other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the U.S. Securities and Exchange Commission ("SEC"). We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Any such forward-looking statements are subject to risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual conditions, our ability to accurately anticipate results expressed in such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. See Item 1A in Columbia Property Trust's Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. The risk factors described in our Annual Report are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in the accompanying consolidated balance sheets, and related consolidated statements of operations, comprehensive income, equity, and cash flows, reflects all normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements. The accompanying consolidated financial statements should be read in conjunction with the condensed notes to Columbia Property Trust's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q, and with Columbia Property Trust's Annual Report on Form 10-K filed for the year ended December 31, 2014. Columbia Property Trust's results of operations for the three months ended March 31, 2015 are not necessarily indicative of the operating results expected for the full year.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per-share amounts)

	(Unaudited) March 31, 2015	December 31, 2014
Assets:		
Real estate assets, at cost:		
Land	$912,035	$785,101
Buildings and improvements, less accumulated depreciation of $693,780 and $660,098, as of March 31, 2015 and December 31, 2014, respectively	3,389,402	3,026,431
Intangible lease assets, less accumulated amortization of $316,720 and $313,822, as of March 31, 2015 and December 31, 2014, respectively	291,969	247,068
Construction in progress	27,201	17,962
Total real estate assets	4,620,607	4,076,562
Cash and cash equivalents	31,236	149,790
Tenant receivables, net of allowance for doubtful accounts of $3 as of December 31, 2014	10,859	6,945
Straight-line rent receivable	121,098	116,489
Prepaid expenses and other assets	29,728	52,143
Deferred financing costs, less accumulated amortization of $15,909 and $15,205, as of March 31, 2015 and December 31, 2014, respectively	10,653	8,426
Intangible lease origination costs, less accumulated amortization of $220,596 and $219,626, as of March 31, 2015 and December 31, 2014, respectively	105,759	105,528
Deferred lease costs, less accumulated amortization of $39,338 and $36,589, as of March 31, 2015 and December 31, 2014, respectively	107,668	102,995
Investment in development authority bonds	120,000	120,000
Total assets	$5,157,608	$4,738,878
Liabilities:		
Line of credit and notes payable	$1,535,015	$1,430,884
Bonds payable, net of discounts of $1,246 and $818, as of March 31, 2015 and December 31, 2014, respectively	598,754	249,182
Accounts payable, accrued expenses, and accrued capital expenditures	97,973	106,276
Deferred income	25,688	24,753
Intangible lease liabilities, less accumulated amortization of $86,922 and $84,935, as of March 31, 2015 and December 31, 2014, respectively	78,072	74,305
Obligations under capital leases	120,000	120,000
Total liabilities	2,455,502	2,005,400
Commitments and Contingencies (Note 6)	—	—
Equity:		
Common stock, $0.01 par value, 225,000,000 shares authorized, 125,076,869 and 124,973,304 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	1,250	1,249
Additional paid-in capital	4,602,201	4,601,808
Cumulative distributions in excess of earnings	(1,899,536)	(1,867,611)

Cumulative other comprehensive loss	(1,809)	(1,968)
Total equity	2,702,106	2,733,478
Total liabilities and equity	$5,157,608	$4,738,878

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per-share amounts)

	(Unaudited) Three Months Ended March 31,	
	2015	2014
Revenues:		
Rental income	$ 112,809	$ 100,567
Tenant reimbursements	28,249	23,733
Hotel income	4,993	4,061
Other property income	1,492	807
	147,543	129,168
Expenses:		
Property operating costs	49,754	38,980
Hotel operating costs	4,591	4,141
Asset and property management fees	397	289
Depreciation	34,007	27,304
Amortization	23,219	18,521
Impairment loss on real estate assets	—	13,550
General and administrative	8,044	6,946
Acquisition expenses	1,995	—

Note 3 Computation of Earnings per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Numerator:				
Net income used for calculating basic and diluted earnings per share	$ 30,464	$ 20,075	$ 91,878	$ 59,591
Denominator:				
Weighted average number of common shares used in the calculation of basic earnings per share	96,057	95,473	96,462	95,698
Common stock equivalents associated with stock-based compensation plans (1), (2)	2,202	3,324	3,005	3,886
Shares used in the calculation of diluted earnings per share	98,259	98,797	99,467	99,584
Basic earnings per share	$ 0.32	$ 0.21	$ 0.95	$ 0.62
Diluted earnings per share	$ 0.31	$ 0.20	$ 0.92	$ 0.60

(1) For the three months ended September 30, 2011 and 2010, 1.6 million and 1.0 million of common stock equivalents, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

(2) For the nine months ended September 30, 2011 and 2010, 0.3 million and 0.5 million of common stock equivalents, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

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- and performance-based restricted stock units, and common stock equivalents. At September 30, 2011, the Company had approximately 6.4 million shares of its common stock, par value $.0005 per share (the Common Stock) available for awards of stock-based compensation under its 2003 Long-Term Incentive Plan.

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

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

Stock-Based Compensation Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Award type:	**2011**	**2010**	**2011**	**2010**
Stock appreciation rights (SARs)	$ 1.0	$ 0.9	$ 3.4	$ 3.7
Common stock equivalents (CSEs)	0.1	0.2	0.4	0.4
Restricted stock units (RSUs)	6.7	6.2	21.0	19.2
Total	$ 7.8	$ 7.3	$ 24.8	$ 23.3

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Stock-based compensation expense was recognized as follows in the Consolidated Statements of Operations for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Amount recorded in:	**2011**	**2010**	**2011**	**2010**
Cost of services and product development	$ 3.3	$ 3.1	$ 11.3	$ 10.9
Selling, general and administrative	4.5	4.2	13.5	12.4
Total stock-based compensation expense	$ 7.8	$ 7.3	$ 24.8	$ 23.3

As of September 30, 2011, the Company had $49.6 million of total unrecognized stock-based compensation cost, which is expected to be expensed over the remaining weighted-average service period of approximately 2.2 years.

Stock-Based Compensation Awards

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

Stock Appreciation Rights

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

When SARs are exercised, the number of shares of Common Stock issued is calculated as follows: (1) the total proceeds from the SARs exercise (calculated as the closing price of the Common Stock on the date of exercise less the exercise price of the SARs, multiplied by the number of SARs exercised) is divided by (2) the closing price of the Common Stock on the exercise date. The Company withholds a portion of the shares of Common Stock issued upon exercise to satisfy minimum statutory tax withholding requirements. SARs recipients do not have any 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 for the nine months ended September 30, 2011:

	SARs (in millions)	Per Share Weighted-Average Exercise Price	Per Share Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2010	2.5	$ 17.22	$ 6.62	4.55 years
Granted	0.4	38.05	13.58	6.40 years
Forfeited				n/a
Exercised	(0.3)	16.96	6.62	n/a
Outstanding at September 30, 2011 (1), (2)	2.6	$ 20.13	$ 7.58	4.25 years
Vested and exercisable at September 30, 2011 (2)	1.2	$ 17.71	$ 6.67	3.29 years

n/a=not applicable

(1) Approximately 1.4 million of these outstanding SARs were unvested. The Company expects that substantially all of these unvested awards will vest in future periods.

(2) Total SARs outstanding had an intrinsic value of $39.2 million. SARs vested and exercisable had an intrinsic value of $20.6 million.

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

	Nine Months Ended September 30, (1)	
	2011	**2010**
Expected dividend yield (2)	0%	0%
Expected stock price volatility (3)	38%	40%
Risk-free interest rate (4)	2.2%	2.4%
Expected life in years (5)	4.8	4.8

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(1) The Company did not make any SARs grants during the three months ended September 30, 2011 or 2010.

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

(3) 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.

(4) 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.

(5) The expected life represents a weighted-average estimate of the period of time the SARs are expected to be outstanding (that is, the period between the service inception date and the expected exercise date). The expected life in years is based on the simplified calculation permitted by SEC SAB No. 107. Under the simplified method, the expected life is calculated by taking the average of the vesting period plus the original contractual term and dividing by two.

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 stockholder rights until after the common 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 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 nine months ended September 30, 2011:

	Restricted Stock Units (RSUs) (in millions)	Per Share Weighted Average Grant Date Fair Value
Outstanding at December 31, 2010	3.9	$ 16.52
Granted (1)	0.7	38.03
Vested and released	(1.4)	17.22
Forfeited	(0.1)	21.51
Outstanding at September 30, 2011 (2), (3)	3.1	$ 21.50

(1) The 0.7 million RSUs granted in 2011 consisted of 0.3 million target performance-based RSUs awarded to executives and 0.4 million service-based RSUs awarded to non-executive employees and certain board members. The 0.3 million performance-based RSUs represents the target amount of the award. The actual number of performance-based RSUs that will ultimately be granted will be between 0% and 200% of the target amount, depending on the performance metric achieved. For 2011, the performance metric is the dollar level of the Company s subscription-based contract value at December 31, 2011. If the specified minimum level of achievement is not met, the performance-based RSUs will be forfeited in their entirety, and any compensation expense already 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 1.2 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 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 nine months ended September 30, 2011:

	Common Stock Equivalents (RSUs)	Per Share Weighted Average Grant Date Fair Value
Outstanding at December 31, 2010	117,208	$ N/A
Granted	9,795	38.13
Converted to common shares	(12,390)	N/A
Forfeited		N/A
Outstanding at September 30, 2011	114,613	$ N/A

N/A=not available

Stock Options

Historically, the Company granted stock options to employees that allowed them to purchase shares of Common Stock at a certain price. The Company has not made any stock option grants since 2006. All outstanding options are fully vested and there is no remaining unamortized cost. The Company received $15.2 million and $17.2 million in cash from option exercises in the nine months ended September 30, 2011 and 2010, respectively.

The following table summarizes the changes in stock options outstanding during the nine months ended September 30, 2011:

	Options in millions	Per Share Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Vested and outstanding at December 31, 2010	2.6	$ 11.13	2.59 years	$ 58.2
Expired			N/A	N/A
Exercised (1)	(1.3)	11.41	N/A	N/A
Vested and outstanding at September 30, 2011	1.3	$ 10.84	1.60 years	$ 31.4

N/A=not applicable

(1) Options exercised during the nine months ended September 30, 2011 had an intrinsic value of $35.7 million.

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 September 30, 2011, the Company had approximately 1.4 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 compensation expense for employee share purchases. The Company received $2.6 million and $2.2 million in cash from share purchases under the ESP Plan in the nine months ended September 30, 2011 and 2010, respectively.

The Company s Board of Directors and Stockholders approved a new 2011 Employee Stock Purchase that became effective September 1, 2011. The shares remaining available under the prior ESP Plan on August 31, 2011 were transferred to the new plan, and no additional shares were reserved for issuance under the new plan.

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, as well as peer networking services and membership programs. Consulting consists primarily of consulting, measurement engagements, and strategic advisory services. Events consists of various symposia, conferences, and exhibitions.

The Company evaluates reportable segment performance and allocates resources based on gross contribution margin. Gross contribution, as presented in the table below, is defined as operating income excluding certain Cost of services and product development and Selling, general and administrative expenses, depreciation, acquisition and integration charges, amortization of intangibles, and other 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 inter-segment 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 information about the Company s reportable segments (in thousands):

Three Months Ended September 30, 2011:	**Research**	**Consulting**	**Events**	**Consolidated**
Revenues	$ 255,979	$ 70,815	$ 18,990	$ 345,784
Gross contribution	173,615	24,458	5,553	203,626
Corporate and other expenses				(156,376)
Operating income				47,250
Interest expense, net				(2,282)
Other expense, net				(541)
Income before income taxes				$ 44,427

Three Months Ended September 30, 2010:	**Research**	**Consulting**	**Events**	**Consolidated**

Revenues	$ 214,680	$ 65,397	$ 16,045	$ 296,122
Gross contribution	140,605	23,981	5,974	170,560
Corporate and other expenses				(137,797)
Operating income				32,763
Interest expense, net				(3,005)
Other expense, net				(373)
Income before income taxes				$ 29,385

Nine Months Ended September 30, 2011:	**Research**	**Consulting**	**Events**	**Consolidated**
Revenues	$ 749,429	$ 219,407	$ 72,058	$ 1,040,894
Gross contribution	506,420	78,820	28,533	613,773
Corporate and other expenses				(469,174)
Operating income				144,599
Interest expense, net				(7,863)
Other expense, net				(1,494)
Income before income taxes				$ 135,242

Nine Months Ended September 30, 2010:	**Research**	**Consulting**	**Events**	**Consolidated**
Revenues	$ 634,448	$ 212,796	$ 58,906	$ 906,150
Gross contribution	415,311	84,222	22,688	522,221
Corporate and other expenses				(426,030)
Operating income				96,191

Interest expense, net	(9,569)
Other income, net	736
Income before income taxes	$ 87,358

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Note 6 Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and identifiable intangible net assets acquired. The evaluation of goodwill is performed in accordance with FASB ASC Topic 350, which requires an annual assessment of potential goodwill impairment at the reporting unit level. A reporting unit can be an operating segment or a business if discrete financial information is prepared and reviewed by management. The Company has three reporting units: Research, Consulting, and Events.

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles-Goodwill and Other Testing Goodwill for Impairment* (ASU No. 2011-08). ASU No. 2011-08 permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before automatically applying the two-step goodwill impairment test, which has been the required test since 2002. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test to determine the amount, if any, of impaired goodwill. Otherwise, the two-step goodwill impairment test is not required. The objective of ASU No. 2011-08 is to both simplify and reduce the on-going cost of goodwill impairment testing for both private and public companies. On September 30, 2011, the Company early adopted ASU No. 2011-08 and conducted a qualitative assessment of reporting unit goodwill. The Company concluded that the fair value of its reporting units was in excess of their carrying amounts, and the Company did not conduct the two-step goodwill impairment test. As a result, the adoption of ASU No. 2011-08 did not impact the Company s results of operations, cash flows, or financial position.

The following table presents changes to the carrying amount of goodwill by reporting unit during the nine months ended September 30, 2011 (in thousands):

	Research	**Consulting**	**Events**	**Total**
Balance, December 31, 2010 (1)	$ 368,521	$ 99,817	$ 41,927	$ 510,265
Foreign currency translation adjustments	(69)	17	14	(38)
Balance, September 30, 2011	$ 368,452	$ 99,834	$ 41,941	$ 510,227

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

Amortizable Intangible Assets

The following tables present the carrying amounts of amortizable intangible assets as of the periods indicated (in thousands):

September 30, 2011	Content	Trade Name	Customer Relationships	Total
Gross cost	$ 10,634	$ 5,758	$ 7,210	$ 23,602
Accumulated amortization	(10,634)	(2,015)	(3,155)	(15,804)
Net	$	$ 3,743	$ 4,055	$ 7,798

December 31, 2010	Content	Trade Name	Customer Relationships	Total
Gross cost	$ 10,634	$ 5,758	$ 7,210	$ 23,602
Accumulated amortization	(7,089)	(1,152)	(1,777)	(10,018)
Net	$ 3,545	$ 4,606	$ 5,433	$ 13,584

The Company s amortizable intangible assets are charged against earnings over the following periods:

	Content	Trade Name	Customer Relationships
Useful Life (Years)	1.5	5	4

Aggregate amortization expense related to intangible assets was $0.7 million and $2.5 million for the three months ended September 30, 2011 and 2010, respectively, and $5.8 million and $8.0 million for the nine months ended September 30, 2011 and 2010, respectively.

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

2011 (remaining three months)	$ 744

2012	2,955
2013	2,955
2014	1,144
	$ 7,798

Note 7 Debt

Credit Agreement

In December 2010, the Company entered into a new credit agreement with a syndication of banks led by JPMorgan Chase. The 2010 Credit Agreement provides for a five-year, $200.0 million term loan and a $400.0 million revolving credit facility. In addition, the 2010 Credit Agreement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company s option and under certain conditions, by up to an additional $150.0 million in the aggregate.

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

Amounts borrowed under the 2010 Credit Agreement bear interest at a rate equal to, at the Company s option, either (i) the greatest of: the administrative agent s prime rate; the average rate on overnight federal funds plus 1/2 of 1%; and the eurodollar rate (adjusted for statutory reserves) plus 1%, in each case plus a margin equal to between 0.50% and 1.25%

depending on the Company s leverage ratio as of the end of the four consecutive fiscal quarters most recently ended, or (ii) the eurodollar rate (adjusted for statutory reserves) plus a margin equal to between 1.50% and 2.25%, depending on the Company s leverage ratio as of the end of the four consecutive fiscal quarters most recently ended.

The 2010 Credit Agreement contains certain customary restrictive loan covenants, including, among others, financial covenants requiring a maximum leverage ratio, a minimum interest expense coverage ratio, and covenants limiting the Company s ability to incur indebtedness, grant liens, make acquisitions, be acquired, dispose of assets, pay dividends, repurchase stock, make capital expenditures, make investments and enter into certain transactions with affiliates. The Company was in full compliance with these covenants at September 30, 2011 and December 31, 2010.

The following table provides information regarding the Company s borrowings (in thousands):

Description:	Amount Outstanding September 30, 2011	Annualized Contractual Interest Rate September 30, 2011 (2)	Amount Outstanding December 31, 2010
Term loans	$ 185,000	1.87%	$ 200,000
Revolver (1)	25,000	1.80%	20,156
Total	$ 210,000		$ 220,156

(1) The Company had \$371.9 million of available borrowing capacity on the revolver (not including the expansion feature) as of September 30, 2011.

(2) The contractual rate on the term loan consisted of a 0.37% Eurodollar base rate plus a margin of 1.50%, while the contractual rate on the revolver consisted of a weighted-average Eurodollar base rate of 0.30% plus a margin of 1.50%. The Company has an interest rate swap contract which converts the floating Eurodollar base rate to a fixed base rate of 2.26% on \$200.0 million of borrowings (see below). Including the impact of the swap, the annualized effective interest rate as of September 30, 2011 on \$200.0 million of these borrowings was 3.76%.

Interest Rate Swap Hedge

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

The Company accounts for the interest rate swap as a cash flow hedge in accordance with FASB ASC Topic 815. Since the swap is hedging forecasted interest payments, changes in the fair value of the swap are recorded in Other Comprehensive Income (OCI), as long as the swap continues to be a highly effective hedge of the designated interest rate risk. Any ineffective portion of change in the fair value of the hedge is recorded in earnings. At September 30, 2011, there was no ineffective portion of the hedge. The interest rate swap had a negative fair value to the Company of $10.3 million at September 30, 2011, which is recorded in OCI, net of tax effect.

Letters of Credit

The Company issues letters of credit and related guarantees in the ordinary course of business. At September 30, 2011 and December 31, 2010, the Company had outstanding letters of credit and guarantees of $4.8 million and $5.3 million, respectively.

Note 8 Equity and Stock Programs

Share Repurchase Program

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

The Company s share repurchase activity is included in the following table:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
Number of shares	1,543,069	48,904	3,886,521	3,188,945

repurchased (1)				
Cost of repurchased shares (in thousands) (2)	$ 53,354	$ 1,372	$ 141,214	$ 76,475

(1) The nine months ended September 30, 2011 includes 500,000 shares the Company repurchased directly from ValueAct Capital Master Fund L.P. in a private transaction.

(2) As of September 30, 2011, the Company had $363.0 million remaining for share repurchases under its $500.0 million share repurchase program.

Note 9 Income Taxes

The provision for income taxes was $14.0 million for the three months ended September 30, 2011 compared to $9.3 million in the prior year quarter. The effective tax rate was 31.4% for the three months ended September 30, 2011 and 31.7% for the same period in 2010. The provision for income taxes was $43.4 million for the nine months ended September 30, 2011 compared to $27.8 million in the nine months ended September 30, 2010. The effective tax rate was 32.1% for the nine months ended September 30, 2011 and 31.8% for the same period in 2010.

At September 30, 2011 and December 31, 2010, the Company had gross unrecognized tax benefits of $19.1 million and $15.8 million, respectively. The increase of $3.3 million is primarily attributable to gross unrecognized tax benefits recorded during the period. It is reasonably possible that the gross unrecognized tax benefits will decrease by $2.8 million within the next 12 months, primarily due to settlements of outstanding audits and the expiration of the relevant statutes of limitation. At September 30, 2011 and December 31, 2010, the Company had Other liabilities of $16.3 million and $15.7 million, respectively, related to long term uncertain tax positions.

The Internal Revenue Service (IRS) has completed its examination of the Federal income tax return of the Company for the tax year ended December 31, 2007. In December 2010 the Company received a report of the audit findings. The Company disagrees with certain of the proposed adjustments and is disputing this matter through applicable IRS and judicial procedures, as appropriate. In the second quarter of 2011 the IRS commenced an audit of the 2008 and 2009 tax years. The Company continues to comply with all information requests and no material adjustments of the Company s tax positions have been proposed at this time for the 2008 and 2009 tax years. Although the final resolution of these audits is uncertain and there are no assurances that the ultimate resolution will not exceed the amounts recorded, the Company believes that the ultimate disposition of these matters will not have a material adverse effect on its consolidated financial position, cash flows, or results of operations.

Note 10 Derivatives and Hedging

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

The following tables provide information regarding the Company s outstanding derivatives contracts (in thousands, except for number of outstanding contracts) as of the dates indicated:

September 30, 2011

Derivative Contract Type	Number of Outstanding Contracts	Notional Amounts	Fair Value Asset (Liability) (4)	Balance Sheet Line Item	Unrealized Loss Recorded in OCI
Interest Rate Swap (1)	1	$ 200,000	$ (10,271)	Other liabilities	$ (6,162)
Interest Rate Swaps (2)	2	61,500	(662)	Accrued liabilities	
Foreign Currency Forwards (3)	15	71,140	(212)	Accrued liabilities	
Total	18	$ 332,640	$ (11,145)		$ (6,162)

December 31, 2010

Derivative Contract Type	Number of Outstanding Contracts	Notional Amounts	Fair Value Asset (Liability)	Balance Sheet Line Item	Unrealized Loss Recorded in OCI

			(4)		(1)
Interest Rate Swap (1)	1	$ 200,000	$ (2,101)	Other liabilities	$ (1,261)
Interest Rate Swaps (2)	2	147,750	(3,966)	Other liabilities	
Foreign Currency Forwards (3)	63	250,220	618	Other current assets	
Total	66	$ 597,970	$ (5,449)		$ (1,261)

(1) The Company entered into this interest rate swap on December 22, 2010. The Company designated and accounts for this swap as a cash flow hedge of the forecasted interest payments on borrowings (see Note 7 Debt). As a result, changes in fair value of this swap are recognized in OCI, net of tax effect.

(2) Changes in fair value of these swaps are recognized in earnings. Both swaps mature in January 2012.

(3) The Company has foreign exchange transaction risk since it typically enters into transactions in the normal course of business that are denominated in foreign currencies that differ from the local functional currencies. The Company enters into short-term foreign currency forward exchange contracts to offset the economic effects of these foreign currency transaction risks. These contracts are accounted for at fair value with realized and unrealized gains and

losses recognized in Other income (expense), net since the Company does not designate these contracts as hedges for accounting purposes. All of the outstanding contracts at September 30, 2011 matured by the end of October 2011.

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

The Company s derivative counterparties are all large investment grade financial institutions. The Company did not have any collateral arrangements with its derivative counterparties, and none of the derivative contracts contain credit-risk related contingent features.

The following table provides information regarding derivative gains and losses that have been recognized in the Condensed Consolidated Statements of Operations for the periods indicated (in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
Amount recorded in:	**2011**	**2010**	**2011**	**2010**
Interest expense, net (1)	$ 1,022	$ 1,799	$ 3,100	$ 6,117
Other (income) expense, net (2)	(1,976)	1,497	1,794	(1,413)
Total (income) expense, net	$ (954)	$ 3,296	$ 4,894	$ 4,704

(1) Includes interest expense (income) recognized on the Company s interest rate swap contracts.

(2) Includes 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 approximates their fair value.

At September 30, 2011, the Company had $210.0 million of outstanding floating rate borrowings under its 2010 Credit Facility, which is carried at amortized cost. The Company believes the carrying amount of the debt reasonably approximates its fair value since the borrowings carry floating interest rates which reflect current market rates for similar instruments with comparable maturities.

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

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

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

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

The following table presents Company assets and liabilities measured at fair value on a recurring basis for the periods indicated (in thousands):

Description	Fair Value at September 30, 2011	Fair Value at December 31, 2010
Assets:		
Deferred compensation assets (1)	$ 23,212	$ 24,113
Foreign currency exchange forward contracts, net (2)		618
	$ 23,212	$ 24,731
Liabilities:		
Interest rate swap contracts (3)	$ 10,933	$ 6,067
Foreign currency exchange forward contracts, net (2)	212	
	$ 11,145	$ 6,067

(1) The Company has two supplemental deferred compensation

arrangements 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. The money market and mutual funds consist of cash equivalents or securities traded in active markets, and the Company considers the fair value of these assets to be based on a Level 1 input. The value of the Company-owned life insurance is based on indirectly observable prices, which the Company considers to be a Level 2 input.

(2) The Company enters into foreign currency exchange forward contracts to hedge the effects of adverse fluctuations in foreign currency exchange rates (see Note 10 Derivatives and Hedging). Valuation of the foreign currency forward contracts is based on foreign currency exchange rates in active markets, which the Company considers to be a Level 2 input.

(3) The Company has three outstanding interest rate swap contracts (see Note 10 Derivatives and Hedging). To determine the fair value of the swaps, the Company relies on mark-to-market valuations prepared by third-party brokers based on observable interest rate yield curves, which the Company considers to be a Level 2 input.

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 $0.6 million for both the three months ended September 30, 2011 and 2010, and $2.0 million and $1.8 million for the nine months ended September 30, 2011 and 2010, respectively.

Note 13 Commitments and Contingencies

Contingencies

We are 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 September 30, 2011, the Company did not have any indemnification agreements that would require material payments.

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, 2010. Historical results and percentage relationships are not necessarily indicative of operating results for future periods. References to the Company, we, our, and us in this MD&A are to Gartner, Inc. and its subsidiaries.

Forward-Looking Statements

In addition to historical information, this Quarterly Report contains 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, expects, should, believes, plans, anticipates, estimates, predicts, 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 report and in our Annual Report on Form 10-K for the year ended December 31, 2010. 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 also should review carefully any risk factors described in other reports filed by us with the Securities and Exchange Commission.

BUSINESS OVERVIEW

Gartner, Inc. (NYSE: IT) is the world s leading information technology research and advisory company. We deliver the technology-related insight necessary for our clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, we are the valuable partner to clients in over 11,700 distinct organizations. Through the resources of Gartner Research, Gartner Consulting, and Gartner Events, we work with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., with 4,900 associates, including over 1,250 research analysts and consultants, and clients in 85 countries.

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

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

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

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

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

BUSINESS MEASUREMENTS

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

BUSINESS SEGMENT	BUSINESS MEASUREMENTS
Research	**Contract value** represents the value attributable to all of our subscription-related research products that recognize revenue on a ratable basis. Contract value is calculated as the annualized value of all subscription research contracts in effect at a specific point in time, without regard to the duration of the contract. **Client retention rate** represents a measure of client satisfaction and renewed business relationships at a specific point in time. Client retention is calculated on a percentage basis by dividing our current clients, who were also clients a year ago, by all clients from a year ago. **Wallet retention rate** represents a measure of the amount of contract value we have retained with clients over a twelve-month period. Wallet retention is calculated on a percentage basis by dividing the contract value of clients, who

	were clients one year earlier, by the total contract value from a year earlier, excluding the impact of foreign currency exchange. When wallet retention exceeds client retention, it is an indication of retention of higher-spending clients, or increased spending by retained clients, or both.
Consulting	**Consulting backlog** represents future revenue to be derived from in-process consulting, measurement and strategic advisory services engagements. **Utilization rates** represent a measure of productivity of our consultants. Utilization rates are calculated for billable headcount on a percentage basis by dividing total hours billed by total hours available to bill. **Billing Rate** represents earned billable revenue divided by total billable hours. **Average annualized revenue per billable headcount** represents a measure of the revenue generating ability of an average billable consultant and is calculated periodically by multiplying the average billing rate per hour times the

utilization percentage times the billable hours available for one year.

Events

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

Number of attendees represents the 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, deliver innovative and highly differentiated product offerings, build a strong sales capability, provide world class client service, focus on client engagement and retention, and continuously improve our operational effectiveness.

We had total revenues of $345.8 million in the third quarter of 2011, an increase of 17% over the same quarter of 2010. Revenues were up strongly in our Research and Events segments, at 19% and 18% respectively, while Consulting was up 8%. Overall quarterly revenues increased 12% when adjusted for the impact of foreign currency. For a more complete discussion of our results by segment, see Segment Results below.

We had net income of $30.5 million in the third quarter of 2011, an increase of 52% compared to third quarter 2010. Diluted earnings per share increased $0.11 quarter-over-quarter, to $0.31 per share for third quarter 2011. Our operating cash flow increased by 40% in the nine months ended September 30, 2011 compared to the same period of 2010.

We repurchased almost 3.9 million of our common shares in the nine months ended September 30, 2011 as part of our continued focus on enhancing shareholder value. We had almost $157.0 million of cash and cash equivalents on September 30, 2011 and we had $371.9 million of available borrowing capacity under our revolving credit facility.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires the application of appropriate accounting policies and the use of estimates. Our significant accounting policies are described in Note 1 in the Notes to Consolidated Financial Statements of Gartner, Inc. contained in our Annual Report on Form 10-K for the year ended December 31, 2010. Management considers the policies discussed below to be critical to an understanding of our financial statements because their application requires complex and subjective management judgments and estimates. Specific risks for these critical accounting policies are also described below.

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

Our critical accounting policies are as follows:

Revenue recognition
Revenue is recognized in accordance with SEC Staff Accounting Bulletins No. 101, Revenue Recognition in Financial Statements (SAB 101), and 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 derived from subscription contracts for research products and are deferred and recognized ratably over the applicable contract term. Fees from research reprints are recognized when the reprint is delivered.

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

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

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

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

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

	September 30, 2011	December 31, 2010
Total fees receivable	$ 355,987	$ 372,018
Allowance for losses	(6,700)	(7,200)
Fees receivable, net	$ 349,287	$ 364,818

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

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles-Goodwill and Other - Testing Goodwill for Impairment* (ASU No. 2011-08). ASU No. 2011-08 permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before automatically applying the two-step goodwill impairment test, which has been the required test since 2002. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test to determine the amount, if any, of impaired goodwill. Otherwise, the two-step goodwill impairment test is not required. The objective of ASU No. 2011-08 is to both simplify and reduce the on-going cost of goodwill impairment testing for both private and public companies. On September 30, 2011, the Company early adopted ASU No. 2011-08 and conducted a qualitative assessment of reporting unit goodwill. The Company concluded that the fair value of its reporting units was in excess of their carrying amounts, and as a result the Company did not conduct the two-step goodwill impairment test.

With the adoption of ASU No. 2011-08, we are now required to assess certain identified qualitative factors that may indicate reporting unit goodwill is impaired and/or to estimate the fair values of our reporting units based on estimates of future operating results and business market, and economic conditions in developing long-term forecasts. If we determine that the fair value of any reporting unit is less than its carrying amount, we must recognize an impairment charge for a portion of the associated goodwill of that reporting unit against earnings in our financial statements. Due to the numerous variables associated with our judgments, assumptions, and conclusions relating to the identified qualitative factors and the valuation of the reporting units and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we may change our estimates.

Accounting for income taxes As we prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions where we operate. This process involves estimating our current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We record a valuation allowance to reduce our deferred tax assets when future realization is in question. We consider the availability of loss carryforwards, existing deferred tax liabilities, future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event we determine that we are able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment is made to reduce the valuation allowance and increase income in the period such determination is made. Likewise, if we determine that we will not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the valuation allowance is charged against income in the period such determination is made.

Accounting for stock-based compensation

The Company accounts for stock-based compensation in accordance with FASB ASC Topics 505 and 718, as interpreted by SEC Staff Accounting Bulletins No. 107 (SAB No. 107) and No. 110 (SAB No. 110). The Company recognizes stock-based compensation expense, which is based on the fair value of the award on the date of grant, over the related service period, net of estimated forfeitures (see Note 4 Stock-Based Compensation in the Notes to the Consolidated Financial Statements).

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

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

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

RESULTS OF OPERATIONS

Overall Results

The following tables summarize the changes in selected line items in our interim Condensed Consolidated Statements of Operation for the periods indicated (dollars in thousands):

For the three months ended September 30, 2011 and 2010:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Income Increase (Decrease)	Income Increase (Decrease) %
Total revenues	$ 345,784	$ 296,122	$ 49,662	17
Costs and expenses:				
Cost of services and product development	142,696	125,897	(16,799)	(13)
Selling, general and administrative	148,461	127,488	(20,973)	(16)
Depreciation	6,638	6,194	(444)	(7)
Amortization of intangibles	739	2,531	1,792	71
Acquisition and integration charges		1,249	1,249	100
Operating income	47,250	32,763	14,487	44
Interest expense, net	(2,282)	(3,005)	723	24
Other expense, net	(541)	(373)	(168)	(45)
Provision for income taxes	(13,963)	(9,310)	(4,653)	(50)
Net income	$ 30,464	$ 20,075	$ 10,389	52

For the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Income Increase (Decrease)	Income Increase (Decrease) %
Total revenues	$ 1,040,894	$ 906,150	$ 134,744	15
Costs and expenses:				
Cost of services and product development	428,473	387,279	(41,194)	(11)
Selling, general and administrative	442,891	388,378	(54,513)	(14)
Depreciation	19,143	19,218	75	
Amortization of intangibles	5,788	7,994	2,206	28
Acquisition and integration charges		7,090	7,090	100
Operating income	144,599	96,191	48,408	50
Interest expense, net	(7,863)	(9,569)	1,706	18
Other (expense) income, net	(1,494)	736	(2,230)	(100)
Provision for income taxes	(43,364)	(27,767)	(15,597)	(56)
Net income	$ 91,878	$ 59,591	$ 32,287	54

Total Revenues for the three months ended September 30, 2011 increased $49.7 million, or 17%, compared to the same quarter in 2010. Quarterly revenues increased in all three reporting units, with double-digit increases in both Research and Events. Excluding the favorable impact of foreign currency translation, total quarterly revenues increased 12%. For the nine month periods, revenues increased 15% in 2011, with increases in all three of our reporting units. Excluding the favorable impact of foreign currency translation, revenues for the nine months ended September 30, 2011 increased 11% over 2010. Please refer to the section of this MD&A below entitled Segment Results for additional discussion of revenues and results by segment.

Cost of Services and Product Development increased by $16.8 million quarter-over-quarter, or 13%. The increase was primarily due to higher payroll and related benefits costs related to increased headcount and merit salary increases, the impact of foreign currency translation, and additional travel expenses. Cost of services and product development as a percentage of revenues improved by 2 points, to 41% in 2011 from 43% in 2010, primarily driven by higher Research revenues and the operating leverage inherent in the Research business.

For the nine month periods, Cost of services and product development increased 11%, or $41.2 million, in 2011 compared to 2010. Consistent with the quarter, the increase was primarily due to higher payroll and related benefits costs due to increased headcount and merit salary increases, the impact of foreign currency translation, and additional travel costs. Cost of services and product development as a percentage of revenues for the nine month periods improved by 2 points, to 41% in 2011 from 43% in 2010. Consistent with the quarter, the improvement was primarily driven by higher Research revenues and the operating leverage inherent in the Research business.

Selling, General and Administrative (SG&A) was $21.0 million, or 16%, higher quarter-over-quarter. The increase was primarily due to higher payroll costs and the negative impact of foreign currency translation. The higher payroll costs resulted from additional headcount, higher sales commissions, and merit salary increases. The increased headcount was primarily due to the investment in additional quota-bearing sales associates, which increased 18%. SG&A expense increased 14%, or $54.5 million in the nine months ended September 30, 2011 compared to the same period in the prior year. Consistent with the quarter-over-quarter increase, the additional expense was primarily driven by higher payroll costs and the negative impact of foreign currency translation.

Depreciation expense increased 7% quarter-over-quarter due to the accelerated amortization on certain leasehold improvement assets. The accelerated amortization resulted from the Company s decision to terminate a lease early. Depreciation expense was flat when comparing the nine month periods as the additional depreciation from capital expenditures and the accelerated amortization on the leasehold improvement was effectively offset by certain fixed assets becoming fully depreciated.

Amortization of Intangibles decreased in both the three and nine months ended September 30, 2011 compared to the same periods in 2010 due to certain intangibles becoming fully amortized in 2010.

Acquisition and Integration Charges was zero in the three and nine months ended September 30, 2011 and $1.2 million and $7.1 million in the three and nine months ended September 30, 2010, respectively. These charges related to acquisitions completed in December 2009 and included legal, consulting, severance, and other costs.

Operating Income increased $14.5 million, or 44%, quarter-over-quarter, to $47.3 million in the three months ended September 30, 2011 compared to $32.8 million in the three months ended September 30, 2010. Operating income as a percentage of revenues improved by 3 points, to 14% in the three months ended September 30, 2011 compared to 11%

in the three months ended September 30, 2010, due to a significantly higher segment contribution from the Research business and to a lesser extent, lower intangible amortization and acquisition and integration charges.

For the nine month periods, operating income increased 50% in 2011 compared to 2010. As a percentage of revenues, operating income also improved by 3 points in 2011 compared to 2010, primarily due to a significantly higher segment contribution from the Research business. Also contributing to the increase was a higher contribution from the Events business and lower intangible amortization and acquisition and integration charges.

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

Interest Expense, Net decreased 24% in the three months ended September 30, 2011 compared to the same period in 2010, primarily due to a substantially lower average amount of debt outstanding. The lower interest expense on our debt was partially offset by higher amortization charges on capitalized deferred financing costs from the December 2010 debt refinancing. For the nine month periods, Interest expense, net, decreased 18%, also due to a substantially lower average amount of debt outstanding.

Other (Expense) Income, Net for the three months ended September 30, 2011 and 2010 was $(0.5) million and $(0.4) million, respectively, which consisted of net foreign currency exchange gains and losses. Other (expense) income, net was $(1.5) million for the nine months ended September 30, 2011, which consisted of net foreign currency exchange gains and losses, and $0.7 million for the nine months ended September 30, 2010, which consisted of a $2.4 million gain from an insurance settlement substantially offset by net foreign currency exchange losses.

Provision For Income Taxes was $14.0 million for the three months ended September 30, 2011 compared to $9.3 million in the prior year quarter. The effective tax rate was 31.4% for the three months ended September 30, 2011 and 31.7% for the same quarter in 2010. For the nine months ended September 30, 2011, the provision for income taxes was $43.4 million compared to $27.8 million in the nine months ended September 30, 2010, and the effective tax rates were 32.1% and 31.8%, respectively.

Net Income was $30.5 million and $20.1 million for the three months ended September 30, 2011 and 2010, respectively, an increase of 52%. Both basic and diluted earnings per share increased $0.11 per share over the prior year quarter. For the nine month periods, net income increased 54%, while both basic and diluted earnings per share increased 53%.

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, amortization of intangibles, acquisition and integration charges, and other charges. Gross contribution margin is defined as gross contribution as a percentage of revenues.

The following sections present the results of our three segments:

Research

	As Of And For The Three Months Ended September 30, 2011	As Of And For The Three Months Ended September 30, 2010	Increase (Decrease)	Percentage Increase (Decrease)	As Of And For The Nine Months Ended September 30, 2011	As Of And For The Nine Months Ended September 30, 2010	Incre (Decr
Financial Measurements:							
Revenues (1)	$ 255,979	$ 214,680	$ 41,299	19%	$ 749,429	$ 634,448	$ 114
Gross contribution (1)	$ 173,615	$ 140,605	$ 33,010	23%	$ 506,420	$ 415,311	$ 91
Gross contribution margin	68%	65%	3 points		68%	65%	3 p
Business Measurements:							
Contract value (1)	$ 1,035,926	$ 905,506	$ 130,420	14%			
Client retention	82%	82%					
Wallet retention	100%	95%	5 points				

(1) Dollars in thousands.

Research segment revenues increased strongly, up 19%

on a quarter-over-quarter basis with increases across all of our regions, products, and client types. Excluding the favorable effect of foreign currency translation, revenues increased 15%. The segment gross contribution margin increased by 3 points quarter-over-quarter due to the higher revenues and the operating leverage inherent in the Research business. When comparing the nine month periods, revenues increased 18% in the 2011 period, but excluding the favorable effect of foreign currency translation, revenues increased 15%. The segment gross contribution margin increased by 3 points, again due to higher revenues and the operating leverage in this business.

Research contract value at September 30, 2011 increased 14% compared to September 30, 2010 and 15% excluding the foreign currency translation impact. Contract value increased across all of the Company s sales regions and product lines and represents the highest reported contract value in the Company s history. Client retention was 82% for both periods while wallet retention improved 5 points over 2010. The increase in wallet retention substantially above the increase in client retention reflects the successful sales efforts by the Company to increase the spending of retained clients.

Consulting

As Of And For The Three Months Ended	As Of And For The Three Months Ended	Increase (Decrease)	Percentage Increase (Decrease)	As Of And For The Nine Months Ended	As Of And For The Nine Months Ended	Increase (Decrease)	Perc Incr (Dec

	September 30, 2011	September 30, 2010			September 30, 2011	September 30, 2010	
Financial Measurements:							
Revenues (1)	$ 70,815	$ 65,397	$ 5,418	8%	$ 219,407	$ 212,796	$ 6,611
Gross contribution (1)	$ 24,458	$ 23,981	$ 477	2%	$ 78,820	$ 84,222	$ (5,402)
Gross contribution margin	35%	37%	(2) points		36%	40%	(4) points
Business Measurements:							
Backlog (1)	$ 92,887	$ 93,991	$ (1,104)	(1)%			
Billable headcount	482	453	29	6%			
Consultant utilization	61%	65%	(4) points		62%	69%	(7) points
Average annualized revenue per billable headcount (1)	$ 404	$ 408	$ (4)	(1)%	$ 404	$ 426	$ (22)

(1) Dollars in thousands.

Consulting revenues increased 8% quarter-over-quarter, primarily due to higher revenues in core consulting. Excluding the favorable impact of foreign currency translation, revenues increased about 4% quarter-over-quarter. The gross contribution margin declined by 2 points due to higher payroll expenses resulting from additional investment in headcount and merit salary increases, and lower consultant utilization.

For the nine month periods, revenues increased 3% in 2011, primarily due to higher revenues in core consulting and, to a lesser extent, an increase in strategic advisory (SAS) business revenue. Consulting revenues were flat excluding the favorable impact of foreign currency translation. The gross contribution margin declined by 4 points due to the same factors impacting the quarter-over-quarter results. Backlog at September 30, 2011 decreased 1% compared to September 30, 2010, to $92.9 million.

Events

	As Of And For The Three Months Ended September 30, 2011	As Of And For The Three Months Ended September 30, 2010	Increase (Decrease)	Percentage Increase (Decrease)	As Of And For The Nine Months Ended September 30, 2011	As Of And For The Nine Months Ended September 30, 2010	Increase (Decrease)	Percen Incre (Decre
Financial Measurements:								
Revenues (1)	$ 18,990	$ 16,045	$ 2,945	18%	$ 72,058	$ 58,906	$ 13,152	22
Gross contribution (1)	$ 5,553	$ 5,974	$ (421)	(7)%	$ 28,533	$ 22,688	$ 5,845	2
Gross contribution margin	29%	37%	(8) points		40%	39%	1 point	

Business Measurements:								
Number of events	16	14	2	14%	48	44	4 events	9
Number of attendees	6,676	5,954	722	12%	22,308	19,025	3,283	17

(1) Dollars in thousands.

Events revenues increased 18% quarter-over-quarter, or $2.9 million, which was primarily attributable to higher revenues from several of our on-going events. Excluding the favorable impact of foreign currency translation, events revenues increased 12%. We held 16 events in the third quarter of 2011, which consisted of 12 ongoing events, 2 new event launches and 2 events moved in to the quarter. The number of attendees and exhibitors increased 12% and 14% respectively, while average revenue per attendee rose 7% and average revenue per exhibitor declined 7%. The gross contribution margin decreased 8 points primarily due to lower exhibitor revenue in 4 of our on-going events and to a lesser extent due to timing, as the event launches and events moved in to the quarter had lower margins than the events discontinued and moved out.

For the nine month periods, Events revenues increased 22% in 2011, or $13.2 million, with foreign currency translation adding approximately 3 points of the increase. We held 48 events in the first nine months of 2011, and we had strong increases in the number of attendees and exhibitors, which increased

17% and 13%, respectively. Average revenue increased 8% per attendee and 5% for exhibitors. The gross contribution margin improved by 1 point, primarily due to a higher contribution from our ongoing events.

LIQUIDITY AND CAPITAL RESOURCES

The Company entered into a five-year credit agreement in December 2010 that provides for a $200.0 million term loan and a $400.0 million revolving credit facility (the 2010 Credit Agreement). Under the revolving credit facility, amounts may be borrowed, repaid, and re-borrowed through the maturity date of the agreement in December 2015. The credit arrangement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company s option and under certain conditions, by up to an additional $150.0 million in the aggregate.

We finance our operations primarily through cash generated from our on-going operating activities. At September 30, 2011, we had almost $157.0 million of cash and cash equivalents and $371.9 million of available borrowing capacity under our revolving credit facility. Our cash and cash equivalents are held in numerous locations throughout the world, with approximately 85% held outside the United States at September 30, 2011. We believe that we have adequate liquidity and that the cash we expect to earn from our on-going operating activities, our existing cash balances, and the expanded borrowing capacity we have under our revolving credit facility will be sufficient for our expected short-term and foreseeable long-term operating needs.

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

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Cash Increase (Decrease)
Cash provided by operating activities	$ 176,465	$ 126,375	$ 50,090
Cash used in investing activities	(23,720)	(24,362)	642
Cash used by financing activities	(111,141)	(73,521)	(37,620)
Net change in cash and cash equivalents	41,604	28,492	13,112
Effects of exchange rates	(4,882)	3,346	(8,228)
Beginning cash and cash equivalents	120,181	116,574	3,607
Ending cash and cash equivalents	$ 156,903	$ 148,412	$ 8,491

Operating

Operating cash flow increased by $50.1 million when comparing the nine months ended September 30, 2011 to the same period in 2010. The increase was primarily due to $32.3 million in higher net income and $27.0 million in lower cash payments for income taxes, acquisition charges, severance, and other costs. We also received $2.5 million in cash reimbursements for capital expenditures on the renovation of our Stamford headquarters facility, and we also had improved collections on receivables. These increases were partially offset by higher cash bonus and commission payments in the 2011 period due to our stronger financial performance and additional excess tax benefits in 2011 from exercises of stock-based compensation awards.

Investing

Cash used in our investing activities declined by $0.6 million, to $23.7 million in 2011 compared to $24.4 million in 2010. We used $23.7 million for capital expenditures in the 2011 period compared to $12.2 million in 2010, and we also made $12.2 million in payments related to the acquisition of Burton Group in the 2010 period.

The $23.7 million of capital expenditures in the 2011 period included $4.6 million for the renovation of our Stamford headquarters facility, which is fully reimbursable by the landlord. The Company received reimbursement of $2.5 million of this amount in the nine months ended September 30, 2011, which is recorded as an operating cash flow benefit. The Company will receive the remaining $2.1 million landlord reimbursement in the fourth quarter 2011, which will also be recorded as an operating cash flow benefit when received.

Financing

We used an additional $37.6 million of cash in our financing activities in the nine months ended September 30, 2011 compared to the same period in 2010. The increase in the use of cash was primarily due to $64.7 million more used for share repurchases in the 2011 period, which was partially offset by an $18.8 million reduction in cash used for debt repayments and $8.3 million more in cash realized from option exercises and excess tax benefits. The additional cash from option exercises in the 2011 period was due to a higher average stock price in the 2011 period.

OBLIGATIONS AND COMMITMENTS

2010 Credit Agreement

As of September 30, 2011, we had $210.0 million outstanding under our 2010 Credit Agreement, which provides for a five-year, $200.0 million term loan and a $400.0 million revolving credit facility. The 2010 Credit Agreement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company s option and under certain conditions, by up to an additional $150.0 million in the aggregate. The Company has not borrowed under the expansion feature.

The term loan will be repaid in 19 consecutive quarterly installments which commenced on March 31, 2011, plus a final payment due on December 22, 2015, and may be prepaid at any time without penalty or premium at the Company s option. The revolving credit facility may be used for loans, and up to $40.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and re-borrowed until December 22, 2015, at which time all amounts borrowed must be repaid. See Note 7 Debt herein in the Notes to the Condensed Consolidated Financial Statements for additional information regarding the 2010 Credit Agreement.

Off-Balance Sheet Arrangements

Through September 30, 2011, 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 revenue, operating income, and cash flow fluctuate as a result of many factors, including: the timing of our Symposium/ITxpo series that normally occurs during the fourth calendar quarter, as well as our other events; the amount of new business generated; the mix of domestic and international business; changes in market demand for our products and services; changes in foreign currency rates; the timing of the development, introduction and marketing of new products and services; competition in the industry; and other factors. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and could provide an unreliable indication of future operating results.

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 2010 Annual Report on Form 10-K which is incorporated herein by reference.

RECENTLY ISSUED ACCOUNTING

STANDARDS

Accounting guidance 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:

Comprehensive Income. In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of stockholders equity. Instead, the new rule will require an entity to present net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Gartner will adopt this new rule in the quarter ending March 31, 2012. While the adoption of this new guidance will change the presentation of comprehensive income, we do not believe it will impact the determination of the Company s results of operations, cash flows, or financial position.

Fair Value Measurements. In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 establishes a number of new requirements for fair value measurements. These include: (1) a prohibition on grouping financial instruments for purposes of determining fair value, except when an entity manages market and credit risks on the basis of the entity s net exposure to the group; (2) an extension of the prohibition against the use of a blockage factor to all fair value measurements (that prohibition currently applies only to financial instruments with quoted prices in active markets); and (3) a requirement that for recurring Level 3 fair value measurements, entities disclose quantitative information about unobservable inputs, a description of the valuation process used and qualitative details about the sensitivity of the measurements. In addition, for items not carried at fair value but for which fair value is disclosed, entities will be required to disclose the level within the fair value hierarchy that applies to the fair value measurement disclosed. This ASU is effective for interim and annual periods beginning after December 15, 2011. Gartner will adopt

this new rule in the quarter ending March 31, 2012. The adoption of this ASU may result in additional fair value disclosures but is not expected to have an impact on the Company s consolidated financial statements.

Repurchase Agreements. In April 2011, the FASB issued ASU No. 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements*. This ASU amends the sale accounting requirement concerning a transferor s ability to repurchase transferred financial assets even in the event of default by the transferee, which typically is facilitated in a repurchase agreement by the presence of a collateral maintenance provision. Specifically, the level of cash collateral received by a transferor will no longer be relevant in determining whether a repurchase agreement constitutes a sale. As a result of this amendment, more repurchase agreements will be treated as secured financings rather than sales. This ASU is effective prospectively for new transfers and existing transactions that are modified in the first interim or annual period beginning on or after December 15, 2011. Since Gartner does not engage in repurchase agreement transactions, the adoption of this ASU will not have an impact on the Company s consolidated financial statements or disclosures.

Business Combination Disclosures. In December 2010, the FASB issued ASU No. 2010-29, *Disclosure of Supplementary Pro Forma*

Information for Business Combinations (ASU 2010-29). The new rule is intended to improve consistency in how pro forma disclosures are calculated and enhance the disclosure requirements and require a description of the nature and amount of any material, nonrecurring pro forma adjustments directly attributable to a business combination. ASU 2010-29 specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also require a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The new rule should be applied prospectively to business combinations for which the acquisition date is after the effective date. Gartner adopted FASB ASU 2010-29 on January 1, 2011 and there was no impact on our consolidated financial statements or disclosures. However, since the new rule is prospective in application, any future business combination will likely require additional disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have exposure to changes in interest rates arising from borrowings under our 2010 Credit Agreement. At September 30, 2011, we had $185.0 million outstanding under the term loan and $25.0 million outstanding under the revolver. Borrowings under this facility are floating rate, which may be either prime-based or Eurodollar-based. The rate paid for these borrowings includes a base floating rate plus a margin between 0.50% and 1.25% on prime borrowings and between 1.50% and 2.25% on Eurodollar-based borrowings.

We have an interest rate swap contract which effectively converts the floating base rate on the first $200.0 million of our borrowings to a 2.26% fixed rate. The Company only hedges the base interest rate risk on the first $200.0 million of its outstanding borrowings. Accordingly, we are exposed to interest rate risk on borrowings in excess of $200.0 million. A 25 basis point increase or decrease in interest rates would change pre-tax annual interest expense on the additional revolver borrowing capacity under the 2010 Credit Agreement (not including the expansion feature) by approximately $0.9 million.

Foreign Currency Risk

We have customers in numerous countries, and 44% and 45% of our revenues for the fiscal years ended December 31, 2010 and 2009, respectively, were derived from sales outside of the U.S. As a result, we conduct business in numerous currencies other than the U.S dollar. Among the major foreign currencies in which we conduct business are the Euro, the British Pound, the Japanese Yen, the Australian dollar, and the Canadian dollar. Our foreign currency exposure results in both translation risk and transaction risk:

Translation Risk

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

A measure of the potential impact of foreign currency translation on our Condensed Consolidated Balance Sheets can be determined through a sensitivity analysis of our cash and cash equivalents. At September 30, 2011, we had $156.9 million of cash and cash equivalents, a substantial portion of which was denominated in foreign currencies. If the foreign exchange rates of the major currencies in which we operate changed in comparison to the U.S. dollar by 10%, the amount of cash and cash equivalents we would have reported on September 30, 2011 would have increased or decreased by approximately $9.0 million.

Because our foreign subsidiaries generally operate in a local functional currency that differs from the U.S. dollar, revenues and expenses in these foreign currencies translate into higher or lower revenues and expenses in U.S. dollars as the U.S. dollar continuously weakens or strengthens against these other currencies. Therefore, changes in exchange rates may affect our consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations. Historically, this impact on our consolidated earnings has not been material since foreign currency movements in the major currencies in which we operate tend to impact our revenues and expenses fairly equally.

Transaction Risk

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

We typically enter into foreign currency forward exchange contracts to offset the effects of foreign currency transaction risk. These contracts are normally short term in duration and unrealized and realized gains and losses are recognized in current period earnings. At September 30, 2011, we had 15 outstanding foreign currency forward contracts with a total notional amount of $71.1 million and an immaterial net unrealized loss. All of these contracts matured by the end of October 2011.

Concentration of Credit Risk

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

ITEM 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 September 30, 2011, 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.

The Internal Revenue Service (IRS) has completed its examination of the Federal income tax return of the Company for the tax year ended December 31, 2007. In December 2010 the Company received a report of the audit findings. The Company disagrees with certain of the proposed adjustments and is disputing this matter through applicable IRS and judicial procedures, as appropriate. In the second quarter of 2011 the IRS commenced an audit of the 2008 and 2009 tax years. The Company continues to comply with all information requests and no material adjustments of the Company s tax positions have been proposed at this time for the 2008 and 2009 tax years. Although the final resolution of these audits is uncertain and there are no assurances that the ultimate resolution will not exceed the amounts recorded, the Company believes that the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, cash flows, or results of operations.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included under Risk Factors contained in Item 1A. of our 2010 Annual Report on 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

The Company has a $500.0 million share repurchase program to be utilized to acquire shares of Common Stock. Repurchases may be made from time-to-time through open market purchases, private transactions, tender offers or other transactions. The amount and timing of repurchases will be subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company s financial performance and other conditions. Repurchases may also be made from time-to-time in connection with the settlement of the Company s shared-based compensation awards. Repurchases will be funded from cash flow from operations and borrowings under the Company s Credit Agreement. The following table provides detail related to repurchases of our Common Stock for treasury in the nine months ended

September 30, 2011:

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 thousands)**
2011 (1)			
January	2,031	$ 34.60	
February	1,082,232	36.26	
March	326,565	38.52	
Total	1,410,828	$ 36.78	
April	5,312	$ 40.14	
May	861,294	38.59	
June	66,018	38.10	
Total	932,624	$ 38.56	
July	567	$ 37.02	
August	752,378	34.28	
September	790,124	34.86	
Total	1,543,069	$ 34.58	$ 363.0

(1) The Company paid a total of $141.2 million in cash for share repurchases in the nine months ended September 30, 2011.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
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 September 30, 2011 and December 31, 2010, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010, and (iv) the Notes to Condensed Consolidated Financial Statements.

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: November 1, 2011	/s/ Christopher J. Lafond
	Christopher J. Lafond Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)