

COSTAR GROUP INC
Form S-4
May 13, 2011

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As filed with the U.S. Securities and Exchange Commission on May 13, 2011
Registration No. 333-

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

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CoStar Group, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

7389

*(Primary Standard Industrial
Classification Code Number)*

52-2091509

*(I.R.S. Employer
Identification Number)*

1331 L Street, NW
Washington, DC 20005
(202) 346-6500

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)*

Jonathan Coleman
General Counsel
CoStar Group, Inc.
1331 L Street, NW
Washington, DC 20005
(202) 346-6500

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

copies to:

Robert E. Spatt
Sean D. Rodgers
Simpson Thacher &
Bartlett LLP

Richard J. Boyle, Jr.
Chief Executive Officer and Chairman of the Board
LoopNet, Inc.
185 Berry Street, Suite 4000

William M. Kelly
Davis Polk &
Wardwell LLP
1600 El Camino Real

425 Lexington Avenue
New York, NY 10017
(212) 455-2000

San Francisco, CA 94107
(415) 243-4200

Menlo Park, CA
94025
(650) 752-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement and the effective time of the merger of a wholly-owned subsidiary of Registrant with and into LoopNet, Inc. as described in the Agreement and Plan of Merger dated as of April 27, 2011.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer
Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border
Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, \$0.01 Par Value	4,142,686	N/A	\$213,290,737.36	\$24,763.05

(1) Represents the maximum number of shares of CoStar common stock currently estimated to be issuable upon consummation of the merger.

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(f)(1), 457(f)(3) and 457(c) of the Securities Act. The proposed maximum

- aggregate offering price was calculated based upon the market value of shares of LoopNet common stock (the securities to be canceled in the merger) in accordance with Rule 457(c) under the Securities Act by multiplying (i) \$18.68, the average of the high and low prices per share of LoopNet common stock on Nasdaq on May 10, 2011, by (ii) 50,925,578, the maximum possible number of shares of LoopNet common stock and preferred stock, on an as-converted basis, which may be canceled in the merger (which is the sum of (a) 32,519,233 shares of LoopNet common stock outstanding on April 27, 2011, plus (b) 7,440,476 shares of LoopNet common stock underlying its convertible preferred stock outstanding on April 27, 2011, plus (c) 1,458,125 shares of LoopNet common stock underlying LoopNet restricted stock units outstanding on April 27, 2011, plus (d) 9,507,744 shares of LoopNet common stock underlying LoopNet stock options (which includes 9,506,244 shares underlying options outstanding on May 12, 2011 and 1,500 additional shares pursuant to options issuable under the merger agreement). Pursuant to Rule 457(f)(3) of the Securities Act, the anticipated amount of cash that is to be paid by CoStar in the merger has been deducted from the proposed maximum aggregate offering price (computed as the sum of (A) the cash consideration of \$16.50 per share of LoopNet common stock multiplied by 41,187,834 (which is the sum of the outstanding shares of LoopNet common stock and LoopNet common stock underlying LoopNet's convertible preferred stock and restricted stock units outstanding on April 27, 2011 (other than 230,000 performance-based restricted stock units)), plus (B) the product of (I) 9,026,244 (which is the number of shares of LoopNet common stock underlying LoopNet stock options outstanding on May 12, 2011 (other than 480,000 shares of LoopNet common stock underlying certain performance-based stock options)) multiplied by (II) an amount equal to the cash component of the per share cash consideration of \$16.50 per share, minus \$10.03, which is the average weighted exercise price of outstanding LoopNet stock options (other than certain performance-based stock options) as of May 12, 2011)).
- (3) Computed in accordance with Section 6(b) of the Securities Act of 1933 by multiplying 0.0001161 by the proposed maximum aggregate offering price.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED MAY 13, 2011

Dear Stockholder:

The Board of Directors of LoopNet, Inc. has unanimously approved a merger agreement providing for LoopNet to be acquired by CoStar Group, Inc. You are cordially invited to attend a special meeting of LoopNet stockholders to be held at _____, local time, on _____, 2011, at 185 Berry Street, San Francisco, CA 94017.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement entered into on April 27, 2011, pursuant to which LoopNet would be acquired through a merger with a wholly-owned subsidiary of CoStar. If the merger contemplated by the merger agreement is completed:

the holders of LoopNet common stock outstanding immediately prior to the effective time of the merger will receive a unit consisting of (i) \$16.50 in cash, without interest and less applicable withholding tax, and (ii) 0.03702 shares of CoStar common stock, for each share of LoopNet common stock that they own immediately prior to the effective time of the merger, unless they exercise and perfect their appraisal rights under the General Corporation Law of the State of Delaware (the "DGCL"); and

the holders of the Series A Preferred Stock outstanding immediately prior to the effective time of the merger, if any, will receive a unit consisting of (i) \$2,455.36 in cash, without interest and less applicable withholding tax, and (ii) 5.5089 shares of CoStar common stock, for each share of Series A Preferred Stock that they own immediately prior to the effective time of the merger, unless they exercise and perfect their appraisal rights under the DGCL. This per share consideration for Series A Preferred Stock represents the common stock equivalent consideration for each share of Series A Preferred Stock. As discussed in the accompanying proxy statement/prospectus under the heading "The Voting Agreement - Contingent Conversion of Series A Preferred Stock," the holders of all outstanding shares of Series A Preferred Stock have delivered contingent conversion notices to LoopNet pursuant to which such shares will be converted into LoopNet common stock immediately prior to, and contingent upon, the completion of the merger.

At the special meeting, you also will be asked to consider and vote upon a proposal to approve, by an advisory vote, the agreements and understandings of LoopNet and its named executive officers concerning compensation that is based on or otherwise relates to the merger contemplated by the merger agreement, and the aggregate total of all such compensation that may be paid or become payable to or on behalf of such executive officers, as disclosed in the accompanying proxy statement/prospectus under the heading "The Merger - Interests of Executive Officers and Directors of LoopNet in the Merger; Change in Control Severance Payments" (the "change in control severance payments").

After careful consideration, the LoopNet Board of Directors approved the merger agreement, the merger and the other transactions contemplated by the merger agreement and unanimously declared that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of the

stockholders of LoopNet. **THE BOARD OF DIRECTORS OF LOOPNET UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT, FOR THE APPROVAL, BY ADVISORY VOTE, OF THE CHANGE IN CONTROL SEVERANCE PAYMENTS AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES.**

The proxy statement/prospectus attached to this letter provides you with information about LoopNet, CoStar, the proposed merger and the special meeting of LoopNet's stockholders. LoopNet encourages you to read the entire proxy statement/prospectus carefully. **For a discussion of risk factors you should consider in evaluating the merger on which you are being asked to vote, see Risk Factors beginning on page 26 of the accompanying proxy statement/prospectus.** You may also obtain more information about LoopNet and CoStar from documents LoopNet and CoStar have filed with the Securities and Exchange Commission. Shares of LoopNet common stock are listed on the NASDAQ Global Select Market under the ticker symbol LOOP and shares of CoStar common stock are listed on the NASDAQ Global Select Market under the ticker symbol CSGP.

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Your vote is important. Adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of LoopNet's common stock and Series A Preferred Stock, voting together as a single class on an as-converted basis. The failure of any stockholder to vote will have the same effect as a vote against adopting the merger agreement. Accordingly, whether or not you plan to attend the special meeting, you are requested to promptly grant a proxy for your shares by completing, signing and dating the enclosed proxy card and returning it in the envelope provided, or by the telephone or over the Internet as instructed in these materials. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote FOR adoption of the merger agreement, approval, by an advisory vote, of the change in control severance payments, and adjourning the special meeting, if necessary or appropriate, to solicit additional proxies.

Granting a proxy will not prevent you from voting your shares in person if you choose to attend the special meeting.

Thank you for your cooperation and continued support.

Very truly yours,

Richard J. Boyle, Jr.
Chief Executive Officer and Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the other transactions described in the accompanying proxy statement/prospectus nor have they approved or disapproved of the issuance of the CoStar common stock in connection with the merger, or determined if the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

**THE ACCOMPANYING PROXY STATEMENT/PROSPECTUS IS DATED , 2011 AND IS FIRST
BEING MAILED TO STOCKHOLDERS OF LOOPNET, INC. ON OR ABOUT , 2011.**

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ADDITIONAL INFORMATION

The accompanying document is the proxy statement of LoopNet, Inc. for its special meeting of stockholders and the prospectus of CoStar Group, Inc. for the shares of common stock of CoStar to be issued in connection with the merger. The accompanying proxy statement/prospectus incorporates important business and financial information about LoopNet and CoStar from documents that are not included in or delivered with the accompanying proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain documents incorporated by reference into the accompany proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

CoStar Group, Inc.
Attention: Investor Relations
1331 L Street, NW
Washington, DC 20005
Telephone: (877) 285-8321

LoopNet, Inc.
Attention: Investor Relations
185 Berry Street, Suite 4000
San Francisco, CA 94107
Telephone: (415) 284-4310

In addition, if you have questions about the merger or the accompanying proxy statement/prospectus, would like additional copies of the accompanying proxy statement/prospectus or need to obtain proxy cards, you may contact LoopNet's proxy solicitation agent:

199 Water Street, 26th Floor
New York, NY 10038-3560
Banks and Brokers Call (212) 440-9800
All Others Call Toll Free (866) 785-7395

In order to receive timely delivery of the documents in advance of the special meeting of LoopNet stockholders, you must request the information no later than _____, 2011.

For a more detailed description of the information incorporated by reference in this proxy statement/prospectus and how you may obtain it, see *Where You Can Find Additional Information* beginning on page 109 of the accompanying proxy statement/prospectus.

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LOOPNET, INC.

185 Berry Street, Suite 4000
San Francisco, CA 94107

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD , 2011

To the Stockholders of LoopNet, Inc.:

A special meeting of stockholders of LoopNet, Inc. (LoopNet), a Delaware corporation, will be held at , local time, on , 2011, at 185 Berry Street, San Francisco, CA 94017 for the following purposes:

1. Adoption of the Merger Agreement. To consider and vote on a proposal to adopt the Agreement and Plan of Merger dated as of April 27, 2011, among CoStar Group, Inc. (CoStar), Lonestar Acquisition Sub, Inc. (merger sub), a wholly-owned subsidiary of CoStar, and LoopNet, as it may be amended from time to time, pursuant to which merger sub will be merged with and into LoopNet, with LoopNet surviving the merger as a wholly-owned subsidiary of CoStar;

2. Approval of Change in Control Severance Payments. To consider and vote on a proposal to approve, by an advisory vote, the agreements and understandings of LoopNet and its named executive officers concerning compensation that is based on or otherwise relates to the merger, and the aggregate total of all such compensation that may be paid or become payable to or on behalf of such executive officers, as disclosed in this proxy statement/prospectus under the heading The Merger Interests of Executive Officers and Directors of LoopNet in the Merger; Change in Control Severance Payments ; and

3. Adjournment of the Special Meeting. To approve the adjournment of the special meeting, if necessary or appropriate, for, among other reasons, the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

Only stockholders of record at the close of business on , 2011 are entitled to notice of and to vote at the special meeting and at any adjournment or postponement of the special meeting. All stockholders of record are cordially invited to attend the special meeting in person. To ensure your representation at the meeting in case you cannot attend, you are urged to grant a proxy for your shares by completing, signing, dating and returning the enclosed proxy card as promptly as possible in the postage prepaid envelope enclosed for that purpose or by telephone or through the Internet. Any stockholder attending the special meeting may vote in person even if he or she has returned or otherwise submitted a proxy card.

Stockholders of LoopNet who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they submit a written demand for appraisal to LoopNet prior to the time the vote is taken on the merger agreement and comply with all other requirements of the DGCL. A copy of the applicable DGCL statutory provisions is included as Annex D to the accompanying proxy statement/prospectus, and a summary of these provisions can be found under *Appraisal Rights* in the accompanying proxy statement/prospectus.

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of LoopNet's common stock and Series A Preferred Stock, voting together as a single class on an as-converted basis. The failure to vote will have the same effect as a vote against the merger. Even if you plan to attend the special meeting in person, please complete, sign, date and return the enclosed proxy or submit your proxy by telephone or the

Internet as instructed in these materials as promptly as possible to ensure that your shares will be represented at the special meeting if you are unable to attend. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of adoption of the merger agreement, approval, by an advisory vote, of the change in control severance payments and adjourning the special meeting, if necessary or appropriate, to solicit additional proxies. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of

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determining whether a quorum is present at the special meeting and will effectively be counted as a vote against adoption of the merger agreement.

By Order of the Board of Directors,

Brent Stumme
Secretary

San Francisco, California
, 2011

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of LoopNet, Inc. (LoopNet) by CoStar Group, Inc. (CoStar). CoStar has agreed to acquire LoopNet pursuant to an Agreement and Plan of Merger (the merger agreement), dated as of April 27, 2011, among CoStar, Lonestar Acquisition Sub, Inc. (merger sub) and LoopNet. Merger sub is a wholly-owned subsidiary of CoStar. Once the merger agreement has been adopted by LoopNet s stockholders and the other closing conditions under the merger agreement have been satisfied or waived, merger sub will merge with and into LoopNet. LoopNet will be the surviving corporation in the merger and will become a wholly-owned subsidiary of CoStar. The merger agreement is attached as Annex A to this proxy statement/prospectus.

Q: What will LoopNet s stockholders receive in the merger?

A: If the merger contemplated by the merger agreement is completed, the holders of LoopNet common stock outstanding immediately prior to the effective time of the merger will receive a unit consisting of (i) \$16.50 in cash, without interest and less applicable withholding tax, and (ii) 0.03702 shares of CoStar common stock, for each share of common stock that they own immediately prior to the effective time of the merger, unless they exercise and perfect their appraisal rights under the DGCL.

Upon completion of the merger, the holders of Series A Preferred Stock outstanding immediately prior to the effective time of the merger, if any, will receive a unit consisting of (i) \$2,455.36 in cash, without interest and less applicable withholding tax, and (ii) 5.5089 shares of CoStar common stock, for each share of Series A Preferred Stock that they own immediately prior to the effective time of the merger, unless they exercise and perfect their appraisal rights under the DGCL. The per share consideration for Series A Preferred Stock represents the common stock equivalent consideration for each share of Series A Preferred Stock, as provided pursuant to the terms of the Certificate of Designations of Series A Convertible Preferred Stock of LoopNet (the Series A Certificate). As discussed in this proxy statement/prospectus under the heading The Voting Agreement Contingent Conversion of Series A Preferred Stock, the holders of all outstanding shares of Series A Preferred Stock have delivered contingent conversion notices to LoopNet pursuant to which such shares will be converted into LoopNet common stock immediately prior to, and contingent upon, the completion of the merger.

Based on the closing price of CoStar common stock on the NASDAQ Global Select Market (Nasdaq) on April 26, 2011, the day prior to the Board s approval of the proposed merger, the merger consideration represented approximately \$18.73 in value for each share of LoopNet common stock. Based on the closing price of CoStar common stock on Nasdaq on , 2011, the most recent practicable trading day prior to the date of this proxy statement/prospectus, the merger consideration represented approximately \$ in value for each share of LoopNet common stock. Because CoStar will issue a fixed number of shares of CoStar common stock in exchange for each share of LoopNet common stock and Series A Preferred Stock, the value of the stock portion of the merger consideration that LoopNet stockholders will receive in the merger will depend on the price per share of CoStar common stock at the time the merger is completed. That price will not be known at the time of the meeting and may be less than the current price or the price at the time of the special meeting.

Q: What happens if the merger is not completed?

A:

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If the merger agreement is not adopted by LoopNet stockholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of LoopNet common stock or Series A Preferred Stock in connection with the merger. Instead, LoopNet will remain an independent public company and its common stock will continue to be listed and traded on Nasdaq. If the merger agreement is terminated under specified circumstances, LoopNet may be required to pay CoStar a termination fee of \$25.8 million and if the merger is terminated under certain other circumstances, CoStar may be required

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to pay LoopNet a termination fee of \$51.6 million as described under The Merger Agreement Termination Fees and Expenses.

Q: Where and when is the special meeting?

A: The special meeting will take place at , local time, on , 2011, at 185 Berry Street, San Francisco, CA 94017.

Q: Who is eligible to vote?

A: Holders of LoopNet common stock and Series A Preferred Stock as of the close of business on , 2011, the record date for the special meeting, are eligible to vote.

Q: How many votes do LoopNet s stockholders have?

A: Holders of LoopNet common stock have one vote for each share of common stock that such holder owned at the close of business on , 2011, the record date for the special meeting.

Pursuant to the terms of the Series A Certificate, holders of Series A Preferred Stock vote on an as-converted basis with the holders of LoopNet common stock as a single class. Holders of Series A Preferred Stock have 148.80952 votes per share based on the current conversion ratio. Holders of Series A Preferred Stock have unanimously consented to the merger and the transactions contemplated by the merger agreement for purposes of Section 8 of the Series A Certificate, which provides the holders of Series A Preferred Stock with a consent right over certain matters.

Q: What vote of LoopNet s stockholders is required to approve each proposal?

A: The following are the vote requirements for the proposals:

Adoption of the merger agreement. In order to complete the merger, holders of a majority of the outstanding shares of LoopNet s common stock and Series A Preferred Stock, voting together as a single class on an as-converted basis, must vote FOR the adoption of the merger agreement (the Stockholder Approval).

Advisory vote approving change in control severance payments. The affirmative vote of holders of a majority of the votes cast at the special meeting and entitled to vote thereon, will be required to approve, by an advisory vote, the change in control severance payments.

Adjournment (if necessary). The affirmative vote of holders of a majority of the votes cast at the special meeting and entitled to vote thereon will be required to approve adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Q: What constitutes a quorum for the special meeting?

A: A majority of the outstanding shares of LoopNet s common stock and Series A Preferred Stock, on an as-converted basis, entitled to vote being present in person or represented by proxy constitutes a quorum for the special meeting. If a quorum shall fail to attend the meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date or time.

Q: How does LoopNet s Board of Directors recommend that I vote?

A: LoopNet's Board of Directors (the Board), by unanimous vote, has determined that it is advisable and in the best interests of LoopNet and its stockholders to consummate the merger and the other transactions contemplated by the merger agreement. The Board unanimously recommends that stockholders vote FOR the proposal to adopt the merger agreement, FOR the approval, by advisory vote, of the change in control severance payments and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. The Board is soliciting stockholder votes consistent with the Board's recommendation. You should read the section entitled "The Merger - The Recommendation of LoopNet's

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Board of Directors and LoopNet's Reasons for the Merger for a discussion of the factors that the Board considered in deciding to recommend voting FOR adoption of the merger agreement.

Q: Are any LoopNet stockholders already committed to vote in favor of the merger?

A: Yes. LoopNet's directors and certain of LoopNet's executive officers and significant stockholders entered into a voting and support agreement (the voting agreement) with CoStar and LoopNet and have agreed, in their capacities as LoopNet stockholders, to, among other things, vote all shares of LoopNet's capital stock beneficially owned by them in favor of adoption of the merger agreement and any related proposal in furtherance thereof and against any proposal made in opposition to the merger, in each case, subject to the terms and conditions of the voting agreement. As of the record date, the directors, executive officers and significant stockholders who signed the voting agreement beneficially owned approximately 32% of the total outstanding shares of LoopNet's common stock (including the shares underlying the Series A Preferred Stock). The voting agreement will terminate automatically upon termination of the merger agreement. As long as the voting agreement remains in effect, approximately 32% of the total outstanding shares of LoopNet's common stock are committed to be voted in favor of the adoption of the merger agreement. See The Voting Agreement.

Q: What do I need to do now?

A: Please read this proxy statement/prospectus carefully, including its annexes, to consider how the merger affects you. After you read this proxy statement/prospectus, you should complete, sign and date your proxy card and mail it in the enclosed return envelope or submit your proxy over the telephone or over the Internet as soon as possible so that your shares can be voted at the special meeting of LoopNet's stockholders. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be cast FOR adoption of the merger agreement, FOR approval, by advisory vote, of the change in control severance payments, and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Q: What happens if I do not return a proxy card or otherwise vote?

A: The failure to return your proxy card or to otherwise vote will have the same effect as voting against the merger. A vote to abstain will also have the same effect as voting against the merger.

Q: How do I vote?

A: If you are a stockholder of record, you may vote in person at the special meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. If you vote by proxy, your shares will be voted as you specify on the proxy card, over the telephone or on the Internet. Whether or not you plan to attend the meeting, LoopNet urges you to vote by proxy to ensure your vote is counted. You may still attend the special meeting and vote in person if you have already voted by proxy.

To vote in person, come to the special meeting and you will be given a ballot when you arrive.

To vote using the enclosed proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the enclosed return envelope. If you return your signed proxy card to LoopNet before the special meeting, LoopNet will vote your shares as you direct.

To submit your proxy over the telephone, dial toll-free using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your proxy must be received by , Pacific Time, on , 2011 to be counted.

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To submit your proxy on the Internet, go to _____ to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your proxy must be received by _____, Pacific Time, on _____, 2011 to be counted.

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If your shares of common stock are held in street name by your broker, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from LoopNet. Your broker will vote your shares only if you provide instructions to your broker on how to vote. You should instruct your broker to vote your shares, followi