

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Jon Leibowitz, Chairman
J. Thomas Rosch
Edith Ramirez
Julie Brill
Maureen K. Ohlhausen

)	
In the Matter of)	
)	Docket No. C-
COSTAR GROUP, INC.)	
a corporation,)	
)	
LONESTAR ACQUISITION SUB, INC.)	
a corporation, and)	
)	
LOOPNET, INC.)	
a corporation.)	
)	
)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by the Act, the Federal Trade Commission (“Commission”), having reason to believe that Respondents CoStar Group, Inc. and Lonestar Acquisition Sub, Inc. (collectively “CoStar”), and LoopNet, Inc. (“LoopNet”) have entered into an acquisition agreement that constitutes a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and which, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18 and Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. RESPONDENTS

1. CoStar Group, Inc. is the largest provider of Commercial Real Estate (“CRE”) information services in the United States. It provides a proactively researched listings database with nationwide coverage. CoStar is a publicly held, for-profit corporation, existing and doing business under and by virtue of the laws of the state of Delaware, with its office and principal place of business located at 1331 L Street, NW, Washington, DC 20005. CoStar maintains an online CRE listings database containing approximately 1.5 million active sale and lease listings. It provides information services covering approximately 4.2 million CRE properties across the

United States. CoStar also maintains CRE listings and information for properties located in the United Kingdom and France. CoStar's historic strength and its current value propositions lie primarily in its uniquely comprehensive information services products. Indeed, many CRE brokers today require CoStar information services products in order to conduct their businesses.

2. Lonestar Acquisition Sub, Inc. is a wholly-owned subsidiary of CoStar Group, Inc., existing and doing business under and by virtue of the laws of the state of Delaware, with its office and principal place of business located at 1331 L Street, NW, Washington, DC 20005.

3. LoopNet, Inc. operates the most heavily trafficked CRE listings database in the United States. It provides CRE information services with nationwide scope. LoopNet is a publicly held, for-profit corporation, existing and doing business under and by virtue of the laws of the state of Delaware, with its office and principal place of business located at 185 Berry Street, Suite 4000, San Francisco, CA 94107. LoopNet maintains an online CRE listings database containing approximately 820,000 active sale and lease listings. It provides information services covering more than 27 million CRE properties across the United States. LoopNet's historic strength and its current value propositions lie primarily in its vast listings database that provides broad exposure to user-input CRE availabilities. LoopNet also has a significant preferred ownership interest in Xceligent, Inc. ("Xceligent"), a third provider of CRE information services and listings databases with a business model that closely resembles CoStar's. Xceligent maintains an online CRE listings database and provides information services for properties in various regions of the United States. Today, LoopNet provides Xceligent with funding and information to aid Xceligent in expanding its geographic scope. In recent years and in part aided by its relationship with Xceligent, LoopNet has converged into CoStar's historic area of dominance, information services.

II. JURISDICTION

4. Respondents and each of their relevant operating subsidiaries are, and at all relevant times have been, engaged in activities in or affecting "commerce" as defined in Section 1 of the Clayton Act, 15 U.S.C. § 12, and Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

III. THE PROPOSED ACQUISITION

5. Pursuant to an Agreement and Plan of Merger dated April 27, 2011, CoStar proposes to acquire all of LoopNet's common stock in exchange for cash and stock considerations. The transaction represents a total equity value of \$860 million. The proposed acquisition of LoopNet's common stock includes LoopNet's ownership interest in Xceligent.

IV. RELEVANT MARKETS

6. The relevant lines of commerce in which to analyze the effects of the proposed acquisition are: (a) CRE listings databases; and (b) CRE information services. These services have a geographic dimension: suppliers offer listings and information services covering defined areas which can be local, regional, or national in scope.

7. These services are often supplied and sold by phone and over the Internet, and the geographic scope of the relevant market is global, notwithstanding the more limited geographic scope of the services themselves.

V. STRUCTURE OF THE MARKETS

8. CRE listings databases provide two-sided online catalogues of CRE availabilities, allowing users simultaneously to publish and to search for CRE space available for sale and for lease. CRE industry participants require access to listings databases in order to publicize and locate available properties to meet their clients' needs.

9. CRE information services provide CRE industry participants with the in-depth information about specific properties necessary for accurate evaluation of potential transactions. CRE information services allow users to access in-depth information about specific properties and to compare similar properties based on location and value.

10. Some CRE listings database and information services customers require a narrowly defined set of listings and information covering a single metropolitan area. Others require broader coverage and demand a product with regional or national scope.

11. While providing products with differing focuses and strengths, CoStar and LoopNet today are the largest national providers of CRE listings databases and information services both in terms of comprehensiveness of coverage and of geographic scope. CoStar and LoopNet are the first and second choices for many U.S. CRE listings databases and information services customers, including CRE brokers, owners, and institutional investors.

12. Xceligent provides CRE listings databases and information services covering 33 metropolitan areas. Xceligent is a significant competitor to CoStar in the areas where it is present, and the closest competitive alternative to CoStar for many U.S. CRE listings database and information services customers.

VI. EFFECTS OF THE ACQUISITION

13. The effects of the acquisition, if consummated, may be to substantially lessen competition in the relevant markets by, among other things: (a) eliminating actual, direct, and

substantial competition between CoStar and LoopNet and between CoStar and Xceligent; and (b) increasing the likelihood that CoStar will exercise market power unilaterally.

VII. ENTRY CONDITIONS

14. Post-acquisition, entry or expansion into the relevant markets would not be timely, likely, or sufficient in scope to deter or negate the anticompetitive effects of the proposed acquisition.

VIII. VIOLATIONS CHARGED

15. The agreement described in Paragraph 5 constitutes a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

16. The acquisition described in Paragraph 5, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this ____ day of _____, 2012 issues its Complaint against Respondents.

By the Commission.

Donald S. Clark
Secretary

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