

COSTAR GROUP INC  
Form 8-K  
May 03, 2006

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): April 27, 2006**

**COSTAR GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware

0-24531

52-2091509

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

2 Bethesda Metro Center, Bethesda, Maryland

20814

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (301) 215-8300

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01. Entry into a Definitive Material Agreement**

On April 27, 2006, the Compensation Committee (the Committee) of the Board of Directors of CoStar Group, Inc. (the Company) approved the following actions with respect to the compensation of the Company's current executive officers:

| Name                         | Title                                       | 2006 Base Salary (1) | 2005 Bonus Amount | Shares of Restricted Stock (2) | Bonus Range (3) | 2006 Bonus Criteria (4)   |                                   |
|------------------------------|---|----------------------|-------------------|--------------------------------|-----------------|---------------------------|-----------------------------------|
|                              |   |                      |                   |                                |                 | Corporate Financial Goals | Individual/Team Performance Goals |
| <b>Andrew C. Florance</b>    | President & Chief Executive Officer         | \$405,363            | \$272,473         | 12,625                         | 0-100%          | 75%                       | 25%                               |
| <b>Frank A. Carchedi</b>     | Chief Financial Officer & Treasurer         | \$226,455            | \$141,855         | 3,443                          | 50-80%          | 60%                       | 40%                               |
| <b>Christopher Tully (5)</b> | Sr. Vice President Sales & Customer Service | \$238,680            | \$64,260          | 2,967                          | 0-35%           | 0%(5)                     | 100%                              |
| <b>Craig Farrington</b>      | Vice President Research                     | \$178,432            | \$93,291          | 1,952                          | 0-75%           | 40%                       | 60%                               |

(1) All salary increases will be effective as of April 1, 2006.

(2) The shares of restricted stock were granted to the executives under the Company's 1998 Stock Incentive Plan, as amended. The shares vest over a four-year period, one-fourth on each of April 27, 2007, April 27, 2008, April 27, 2009 and April 27, 2010. A form of restricted stock agreement has been filed as an exhibit to the

Company's Annual Report on Form 10-K for the year ended December 31, 2004 and is incorporated by reference herein.

- (3) The bonus range represents a percentage of the executive's base salary.
- (4) The table sets forth the break down for each executive officer of the percentage of such officer's bonus that is based on achievement of corporate/financial goals and the percentage of such officer's bonus that is based on achievement of individual/team performance goals. The criteria that the Committee uses to determine bonuses include, without limitation, the level of achievement of goals based on the following criteria:  
Company revenues,  
Company earnings, research, data quality, new and enhanced products, software development, management, customer service, accounts receivable, human

resources, investor relations, financial reporting and sales. The criteria differ for each of the executive officers.

- (5) Mr. Tully also has the ability to earn monthly commissions based on the Company's monthly net new revenue amounts.

The Company has provided additional information regarding executive compensation in its proxy statement for the Company's 2006 Annual Meeting of Stockholders.

**SIGNATURES**

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

COSTAR GROUP, INC.

Date: May 3, 2006

By: /s/ Frank A. Carchedi

Name: Frank A. Carchedi

Title: Chief Financial Officer

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Exhibit Index

Exhibit 10.1 2006 Summary Sheet regarding Compensation for Executive Officers (filed herewith).