

Clareity's 2004 NAR Mid-Year Meeting Report

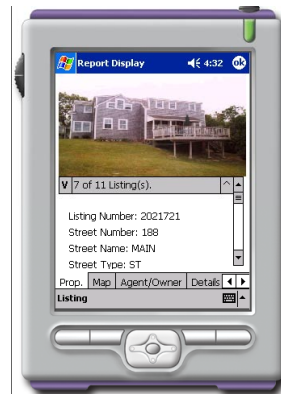
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Around the Trade Show

Best New Technology at Show – PathFinder from Internet MLS

A new hand-held PC system named Pathfinder is allowing real-estate agents to combine the positioning functions of a palm-top GPS system with localized MLS data. This is HOT – Pamela Anderson hot. This is downright sexy technology.

The system is available from Advanced Marketing Services and operates in tandem with the company's InternetMLS™ software suite or any other MLS system that supports NAR's Real Estate Transaction Standard (RETS).

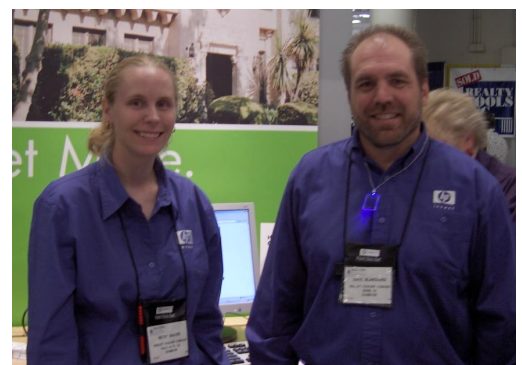


“With Pathfinder, an agent can leave his or her office with a single gadget that provides driving directions and live global-positioning assistance for every property in their MLS listing,” says Dimitry Petion, president of Advanced Marketing Services. “Our system puts an end to the time-consuming preparation of directions and maps, while also providing complete flexibility when showing properties; decisions can quite literally be made on the fly.”

Best Booth – Hewlett Packard

HP had one of the busiest booths that had all the latest tech toys. HP staffs their booth with knowledgeable product people (and a few geeks), and they do a great job of educating attendees. I went by their booth several times and it was always packed. In addition to the HP hardware, HP's new Real Estate Marketing Assistant software drew rave reviews.

Most of the pictures in this report were taken with the brand new HP R707 camera. HP loaned me their latest model for a test drive.



Friendly and smart HP folks.

Size matters in cameras, and I like small.

HP's 'Adaptive Lighting' feature is very cool. Picture elements often come out too light or dark, especially where sunlight plays havoc with the auto-flash sensor. If a face is too dark because of sunlight behind it, Adaptive Lighting brightens it up. Likewise, the camera knows how to mellow out the flash so that people's faces don't get whitewashed, as happens all too often with other cameras.

CNet's Reviewers have this to say about the new camera: "Like participants on Extreme Makeover, HP's Photosmart cameras have come out from under the knife looking like a million bucks!"



HP Photosmart R707 List \$349.99

Best SWAG

Stewart Title was giving out nice little black leather covered note pads with a pen. A classy Stewart logo was engraved on the cover. This was classy Swag and something most people would find room for when they packed their overstuffed suitcase.

Best WATER



In case you hadn't heard, don't drink the leaded water in DC – seriously, lead from the pipes is polluting the city water, and lead is not so good for humans. Ask Dale Ross (former CEO of MRIS) at RxEnvironmental.com – his company was just awarded a large water testing contract by the city. Anyway, someone at First American was on the ball and they had free bottled water (unleaded) with their logo on the bottle. It sure beat paying \$2.50 for a bottle of water!

Best Party

Like I always say, anyone can host a hospitality suite in a hotel, but those events can be boring, even if the drinks are free. Therefore, I give extra points for creativity, off-beat venues, and entertainment.

So, here's a quick party run down. First American/MarketLinx had *jumbo shrimp* and proved it's not always an oxymoron. The shrimp would have made Forrest Gump proud, but the hotel's square room venue was, well, kind of square.

Last NAR's Best Party winner was FNIS for renting the trendy NV night club in San Francisco, but FNIS pulled up lame at the Mid-Year in DC. FNIS dared to bus people across town to the ESPN Zone (in the middle of a crime zone) where they rented out an entire floor. So, ESPN Zone has a HUGE TV screen, and guess what was playing on it? *How Suite It Is* – a monochrome, text-only slide show about FNIS products that repeated for hours and never ended! Hey, it's OK to remind your attendees who's paying for their drinks (logo napkins, for example), but come on, we're at a sports bar and an NBA play-off game is on and you make everyone watch a never ending text-only PowerPoint? No soup for you!

I was told that Supra threw a kickin' party that had a great band. Sounds like a contender to win Clareity's coveted *2004 Best Party Award*, but nobody invited me, so I only found out about it after the fact. Supra lost most of its sales force since November, so maybe that's why I was accidentally left off the guest list this year. I sure hope they're still not sore about that ugly red bowling shirt rant from a couple of years ago... Or maybe it was when I slipped and used the M word?

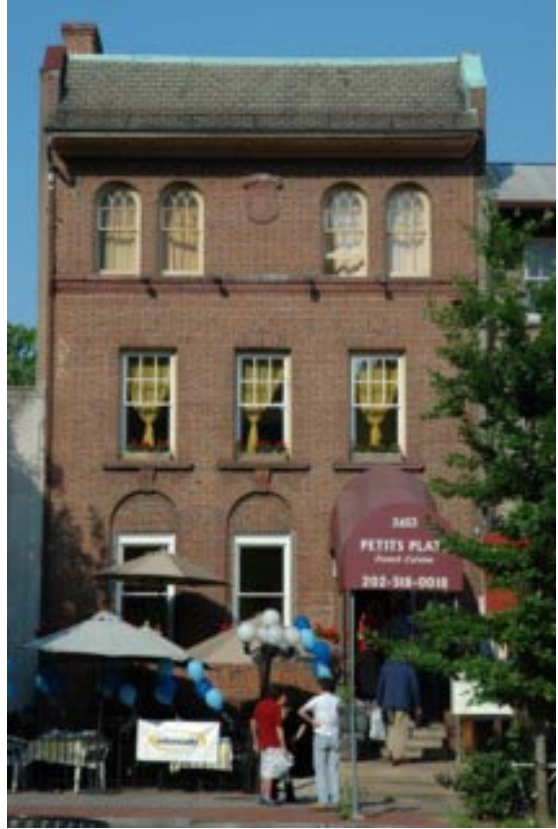
Interealty used its home town advantage and pulled everything together this year to win the *2004 Best Party Award* – an off-beat venue, open bar with premium cocktails, good food, and live entertainment. Austin Powers greeted people as they entered the quirky French restaurant. *It was Groovy, Baby!*



Nice Entertainment - Shagadelic, BABY!



Notice the real cocktails – not just wine and beer.



Funky party venue!

Jim McDevitt, a senior executive from GEAC, was also there to meet Interealty's customers and hear what was on their minds.

People on the Move

Since the last convention lots of people have moved around, including Rex Marr, the industry's most mature person and father of the MLS book. Here are a few of them:

Person	Old Gig	New Gig
Rex Marr	Supra	Rapattoni - Sales
Jim Guy	Microsoft HomeAdvisor	HouseValues.com
Mike Lancaster	REEZ (sold to Fidelity)	First American – VP Sales
Chris Campacci	REBIG	FNIS - Transaction Mgt.
Mark Spraetz	FNIS Senior VP	Terradatum – VP Sale
John Leonardi	Supra	FNIS – Regional Sales Mgr.
Warren Andrich	Supra	FNIS – Broker Sales
David Rifken	FNIS	eNeighborhoods – Sales
Kevin Hughes	FNIS – VP Product Mgt.	TBA – rumors abound...

Hot Topics at Private Clarity Sessions

The REBIG Witch Hunt

The press and a bitter Association Executive are on a witch hunt in Chicago.

Transaction Management

It's hot and more MLSs are stepping up to set the standard for their market areas.

Pay Per Lead Counter Measures

The industry is waking up to the fact that LendingTree, HomeGain, ServiceMaster, AgentConnect, and HouseValues.com aren't going away – and now they're profitable and collectively generating well over \$100 million in annual sales.

Realtor.com

After the recent price increases, many people are complaining and want to pull out of Realtor.com. It's also hard to find MLS or Association leaders that defend Homestore anymore. It would be a tragedy if Realtor.com went away, and it would leave a huge void in the marketplace that others more evil would fill.

Here's a potential solution, and it also provides more offense for the industry to counter the Pay Per Lead growth. Create and promote *YourCity.Realtor.com* – and make the local sites FREE from advertising, which is what agents and consumers want. The Realtor.com brand is strong with millions of consumers. NAR could create and license several thousand sub-domains to Realtor.com for local listing sites. For example, *Tulsa.Realtor.com* would leverage the Realtor.com brand in Tulsa. NAR could issue an attractive and consistent domain name to virtually every local, regional, or statewide MLS and leverage the Realtor.com brand by creating hundreds of new Realtor.com sites that provide a consumer display to the real-time MLS listings on the local MLS site (no aggregation is required, so the cost is low).

An MLS with an existing site can simply point their new Realtor.com domain at their site and improve their traffic with minimal advertising. NAR can be the distributor and arbitrator of these sub-domains, and it could lower set up costs by offering local Realtor.com web site templates. Clarity has seen huge support for this idea when we proposed it to Realtors in surveys and focus groups over the past few weeks all over the country. Clarity sent this idea to NAR leadership two weeks ago, and Clarity hopes they'll take action – after all, they own Realtor.com, right?

MLS Forum Summary – “The Big Snooze”

This year's MLS Forum was boring – just ask anyone that was there. At Thursday night's parties, people complained about how stale the meeting and speakers were. The MLS Forum's major topics were updates on a Sentrilock Lock Box, the Realtor Secure certification, and the VOW policy. I promise the following meeting summary is not boring to read!

The first speaker gave an update on statistical reports available from NAR and why you should buy them. Zzzzz.... Wish I had slept in and come late.

The second speaker was from the broker advisory panel. He reminded the audience that the brokers own the listings and the MLS shouldn't do a damn thing with the listings without the broker's permission. Interestingly, the broker advisory group is also claiming ownership of the uploaded photographs and all attached documents. Most MLSs have a rule that states ownership of a photograph transfers to the MLS when it is uploaded, but I don't think many have addressed the fast growing trend of attaching documents and PDFs.

The next speaker gave an update on NAR's Sentrilock Lock Box progress. There was no big news since Clareity reported on this last November. The company is proceeding with its lab and field testing and says it will be able to produce 20-30K boxes per month soon, so it looks like they'll be the first to independently challenge Supra's monopoly...errr... I mean market share.

Sentrilock uses ISO standard smart card key technology, so this system eliminates the expense of proprietary devices and keys. The card keys fit in your wallet like a credit card and are cheap to produce. The smart cards, combined with a user PIN, provide the two-factor authentication security the industry needs. Clareity likes this *secure* approach.

Update on the Realtor InSecure Program

In November, Clareity reported that the new Realtor Secure Certification had good intentions, but was flawed and poorly implemented. Now Clareity has proof and created a PowerPoint titled ***"Realtor InSecure – Prescribing Advil for Cancer"***.



Clareity has this irreverent presentation locked away in the Clareity vault until we can meet with the people that were ripped off and explain why their sites are still far from secure. It would be irresponsible for us to publish slides that show:

1. How easy it is to scrape and download the listings from one of the country's largest MLSs that sports the Secure logo – and in another case it's a Realtor Secure certified MLS *vendor* that allows all of its MLS customers' listings nationwide to be ripped off by a program that takes a kid about 15 minutes to write...
2. Several Realtor Secure certified MLS, broker, and e-broker sites claim they have secure logins but they do NOT
3. Several Realtor Secure certified computers display sensitive employee information that allows social engineering, along with other information that can be used to identify target computers inside the network

Note that Clareity did not do a port scan or attempt to hack the InSecure sites in any way – the security flaws Clareity noticed on the "certified" sites were just plain obvious. The three issues listed above are not the only ones discovered...

Clareity has been a real estate IT consulting company since 1996, and has performed numerous IT security audits, so Clareity knows what the industry needs. The industry needs to adopt best security practices, not buy a logo for their site or do self serving,

promotional press releases claiming they're "secure". Matt Cohen, the Chief Technologist at Clareity, compares the current Realtor Secure program to a doctor prescribing Advil for cancer - giving the patient and family false hope.

In November, Clareity recommended that NAR's Realtor Secure program be retracted and put in dry dock for substantial revision. Clareity even offered to help, but met resistance. At the mid-year meeting it was disturbing to hear Realtor InSecure's author say that they are going to make it cheaper and easier to get the Realtor Secure certification – when the program was already weak to begin with. An attorney in DC joked that she hoped NAR had good malpractice insurance.

Again, Clareity believes the intentions of this certification were good, but the initial planning and implementation were bad – and are still weak six months later. The speaker asked for a show of hands from the several hundred MLS leaders in the room that are certified – I only saw one go up. Thank goodness – only a few are taking Advil for the cure...

Clareity's advice to organizations that have already spent their money on Realtor InSecure? ***Ask for your money back!***

The Anti-Climax of the MLS Meeting – No VOW Progress

At the last meeting, the MLS committee voted to postpone mandatory VOW policy implementation until July 1st, 2004. The delay was recommended primarily because of the DOJ's inquiry into the anti-trust ramifications of the policy. The selective opt-out capability makes it rather easy for "established" brokers to discriminate against "new-business-model" or "limited service" brokers. At this meeting, the vote was to delay VOW implementation until January 1, 2005 and an update will be provided at NAR in November. Someone raised a logical concern about being able to implement the VOW policy and new VOW technology by January 1st if the official go ahead doesn't come until November, but the motion for January 1st as the date seemed predetermined.

Well, that's it for this year. Thanks for reading my report. Please see the announcement below about Clareity's 2005 Workshop in Scottsdale

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2005 MLS Workshop Announced in Scottsdale, AZ

Please consider joining us in Scottsdale, Arizona March 17-18, 2005 for Clareity's Fourth Annual MLS Workshop. This MLS Workshop will provide timely updates and address the key issues facing MLS executives and leaders next year, and will focus on the

expanding scope and role of MLS systems and operators. For more information, please see <http://www.callclareity.com/MLSworkshop/>

About Clareity

Founded in 1996, Clareity continually strives to provide our clients a truly independent and unique perspective. Clareity has successfully executed a vast array of consulting projects for our clients, related to:

- Expert witness in software and technology disputes
- IT Security Audit and business continuity assessment
- Development and analysis of RFPs for MLS systems, public records, broker systems, and TMPs
- Mergers and acquisitions and strategic alliances
- New product marketing and business plans
- Product integration specifications
- Competitive analysis
- Contract negotiation
- Project management and implementation assistance
- Quality assurance testing
- Market research including agent, broker, and staff electronic and telephone surveys as well as onsite focus groups