Inman News Special Report:

The Homestore Saga

The tumultuous story of an online real estate company

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INTRODUCTION

The story of Homestore and its Realtor.com Web site is a classic and chilling tale of power and greed that includes something for everyone. It's a story of dot-com mania and megabucks, mergers and acquisitions, hirings and firings, failed ventures and high-flying stock valuations, suspicious dealings and shady characters, phony financial statements and allegations of fraud, and finally investigations by the U.S. Department of Justice and the Securities Exchange Commission and a $1 billion class-action shareholder lawsuit.

The cast of characters includes the quintessentialy egotistical former CEO Stuart Wolff, the deal-making "piranha" former COO Peter Tafeen, the real estate veterans Steve Ozonian and Alan Dalton, the venture capitalist John Doerr, the under-fire former president of the National Association of Realtors Sharon Millett, the dot-com millionaire Richard Janssen, the potential saver-of-the-day new CEO Mike Long and the former COO John Giesecke, CFO Joseph Shew and VP John DeSimone who've pleaded guilty to securities fraud and insider trading crimes.

The cast of companies includes the online megastar AOL, the real estate giant Cendant Corp., the trade powerhouse National Association of Realtors, the software giant Microsoft Corp. and the $92 billion CalSTRS pension fund along with a who's who of real estate technology and dot-com companies, including NAR's defunct Realtor Information Network (RIN), RealSelect, Microsoft's HomeAdvisor (now called MSN House and Home), Cendant's Move.com (remember when it was called CompleteHome.com?), Top Producer, Homebid, FireTap, ConsumerInfo., iPlace.com, iPIX, ServiceMagic, Bargain Networks and many more.

It's the story of an overrated and over-hyped corporation that was born from the ashes of the National Association of Realtors ill-fated RIN venture and was for a short while the darling of Wall Street analysts before it toppled into the dust amid allegations of corporate misdeeds that surfaced in a 250-page shareholder lawsuit working its way through the legal system. The company hasn't been consigned to the proverbial dustbin, but it still has some very threatening black clouds hanging over its head. Those storm warning includes the arbitration over past transactions with AOL, a dispute with Cendant Corp. also over past dealings, the negative publicity surrounding the crooked former executives and the undeniable reality that the company is a money-losing venture and has yet to generate even one dollar of bottom-line profit.

The silver lining may be Long's attempt to turn around Homestore's ill fortunes with a business model built on operating the National Association of Realtor's official homes-for-sale Web site and selling marketing products and services that integrate with the Web site to real estate brokers and agents. But that future is far from certain.

The story opens with the collapse of RIN in late 1996 and unfolds into a genuine page-turner that will keep even the most casual reader wide awake for at least a few late nights.

Homestore.com Historic Stock Chart

Date	Monthly High
November, 2002	$1.70
October, 2002	$0.77
September, 2002	$0.63
August, 2002	$0.95
July, 2002	$1.48
June, 2002	$2.12
May, 2002	$2.60
April, 2002	$2.70
March, 2002	$2.90
February, 2002	$1.61
January, 2002	$3.02
December, 2001	$3.65
November, 2001	$5.15
October, 2001	$8.58
September, 2001	$17.41
August, 2001	$28.52
July, 2001	$36.99
June, 2001	$35.37
May, 2001	$37.16
April, 2001	$35.70
March, 2001	$32.19
February, 2001	$37.25
January, 2001	$35.12
December, 2000	$30.25
November, 2000	$43.00
October, 2000	$46.88
September, 2000	$55.00
August, 2000	$55.00
July, 2000	$41.75
June, 2000	$33.00
May, 2000	$31.00
April, 2000	$49.00
March, 2000	$72.00
February, 2000	$106.50
January, 2000	$138.00
December, 1999	$109.00
November, 1999	$87.50
October, 1999	$51.50
September, 1999	$59.88
August, 1999	$52.88

1996: NAR's Realtors Information Network crashes and burns

The mystery RIN partner

Troubled technology venture in discussion with cable giant TCI

ENGLEWOOD, Colo.-- Cable television giant Tele-Communications, Inc. (TCI), may be the mystery partner that is negotiating with the Realtor Information Network to license the technology venture's World Wide Web home listing site (http://www.realtor.com), Inman News Features has learned.

With 11 million cable subscribers and operations throughout the U.S., the Englewood, Colo.-based firm could add instant credibility, expertise and clout to the troubled Realtor computer venture.

An agreement with TCI has not been finalized, but representatives from RIN and the cable firm met this week. Sources close to RIN say that the negotiations are going well.

Owned by the National Association of Realtors, RIN is a computer network that promises to link Realtors and to promote home listings on the World Wide Web. The controversial project ran out of money last month and may face bankruptcy if a partner is not found. Realtor.com includes more than 300,000 home listings on the World Wide Web. At its meeting last week, the NAR board approved licensing the property listing Web site to an outside partner.

A corporate profile of TCI reads "TCI's business strategy is to prepare for the electronic superhighway: to develop new revenue sources, i.e. pay-per-view advertising and enter into strategic partnerships with industry leaders to develop new communication services."

In 1995, the firm had $6.85 billion in sales and 32,500 employees. In the Fortune 500 list published in April, 1996, TCI ranked 190 based on 1995 sales, up from 233 the year before.

A sprawling telecommunications firm, TCI is also a joint venture partner with @Home, which was unveiled on Thursday. The high-profile broad band Internet service promises to bring the Web to the home at very high speeds. TCI Technology Ventures Inc., a subsidiary of cable giant Tele-Communications Inc., is the actual firm that owns part of @Home. The Web address is http://www.home.com.

Two weeks ago, an internal RIN document offered insight into the direction partner possibilities were headed.

In a memo to the NAR Board of Directors in August, RIN CEO Bud Smith wrote, "The nature of this business (home listings on the Web) is highly competitive, subject to constant change in technology, and requires management by an information technology company able to promote and expand the site. In addition, many new opportunities are beginning to arise which allow property information to be exposed in a variety of ways. Cable TV, interactive TV and other emerging technologies are likely to change the face of advertising real estate."

Contacted on Thursday, Smith said, "Because of non-disclosure agreements I have signed, I cannot discuss anything about the identity of the partner -- can't confirm nor can I deny."

TCI representatives did not respond to inquires about RIN.

"We will have to wait and see what their business plan is for Realtor.com before we know exactly what this means," said Howard Latham, president, Cyberhomes, Minneapolis, Minn., a competitor home listing Web site owned by Moore Data Management Systems, Inc.

REALTOR.com still alive

Technology fiasco hasn't slowed growth in Web listing service

CHICAGO -- The Realtor Information Network may have been one of the biggest real estate computer network disasters, but its Web page at Realtor.com has not only survived but it is growing.

According to RIN, Realtor.com has over 412,000 active listings in 34 states in 78 major markets.

In recent weeks, eight new MLS systems went live on the site.

Columbia, Missouri
Bartlesville, Okla.
San Angelo, Texas
New Haven, Conn.
Delta County, Colo.
Philadelphia, Penn.
Central, New Jersey
Bloomington, Ind.

RIN future to be unveiled

After months of silence, the Realtor Information Network will make a formal announcement and do a press briefing on the troubled computer technology venture on November 12 at 1:00 p.m. at the Hilton Hotel, San Francisco, according to National Assn. of Realtors spokesman Jeff Lubar.

Inman News has learned that the RIN board is meeting on the morning of the 12th and will come out of the room with one of two announcements: that a new company with new financial partners has been formed to carry on the troubled Realtor technology venture or that RIN will file for bankruptcy.

Created by the National Association of Realtors, RIN is an 18-month old real estate technology project that fell into financial problems this summer and teetered on bankruptcy.

The part of the venture that has survived is the Realtor.com Web page, which has more than 400,000 home listings.

RIN forms new partnership

New company dubbed RealSelect will operate Realtor home listing site on the Internet

SAN FRANCISCO-- This afternoon the National Association of Realtors announced that its Realtor Information Network was forming a new technology venture with several large financial investors to expand its home listing Web site at Realtor.com.

Organized as a corporation based in Los Angeles, RealSelect will be owned by RIN, Allen & Company, a New York-based investment banker, and J. H. Whitney, a Stamford, Conn. venture capital firm, and other undisclosed investment interests.

RealSelect will be run by former TCI executive Stuart Wolff and former RIN vendor Richard R. Janssen.

The financial partners are making an initial $6 million investment in RealSelect. The funds will not be used to pay off an estimated $12 million debt that RIN owes numerous creditors including the National Association of Realtors.

While the final financial and structural terms of the agreement have been reached, there are still outstanding legal issues to be resolved by the partners.

The business plan for the new venture calls for revenue from advertising.

Wolff, who will serve as chairman of RealSelect, said that the venture will have two customers, consumers and Realtors.

Created by NAR, RIN is an $18 million technology venture that fell into financial problems this summer and has been struggling to survive under a new structure and with an infusion of new funding.

The announcement today is expected to keep NAR an active player in the online revolution.

Stuart Wolff takes helm of new realty tech venture

Former TCI executive worked behind scenes for 7 months

Several months ago, Stuart Wolff, age 33, was fishing around doing due diligence on the Realtor Information Network on behalf of his employer, cable giant TCI, a prospective investor in the troubled National Assn. of Realtors on-line computer venture.

But for the most part, the Princeton Phd laid low working behind the scenes to put a deal together on the Realtor Information Network. Today, it was announced that he would be chairman and CEO of RealSelect, Inc., which has been formed to run the Realtor.com Web site and will be owned by RIN and at least two financial investors.

Realtor.com is a Web page of more than 400,000 home listings from around the country.

Wolff has a low-key, but deliberate style. When he announced the new venture at a NAR press conference on Tuesday, he seemed a little shy - certainly no righteousness or hubris, which until it ran into problems this summer was characteristic of the previous RIN management regime, according to some real state experts.

Nevertheless, when pelted with questions from a suspicious financial and real estate press corps, Wolff kept his composure and answered all of the questions with a firm and direct style. He made it clear, for example, that the $6 million capital infusion from two new investors would go towards the new venture not to pay off old RIN debts.

Wolff, who began working on the venture seven months ago in his capacity as vice president at TCI, formally moved over to the new company today and spelled out a sketchy vision for the Realtor Web page, which he said will serve two masters: the public and the Realtor.

Trained as an engineer, Wolff lives in Denver but will relocate to Los Angeles, where RealSelect will be located.

His resume says that he was awarded the MONBUSHO Fellowship at the Tokyo Institute of Technology in 1986 and received a masters degree and doctorate in electrical engineering from Princeton University.

Janssen kept the RIN faith

Amid torment, home-listing guru kept to the business at hand

During the summer, when the Realtor Information Network was at its lowest point and facing bankruptcy, some executives inside the National of Realtors wanted to throw in the towel and walk away. Vendors were mad, Realtor members were asking questions, lawsuits were threatened, bankruptcy was looming and the press, including this service, was beginning to publish stores about the problems.

But one participant in the venture kept his focus clear: Richard R. Janssen, who designed the Realtor.com Web site. Even when things were at their worst, his Southern California team at InfoTouch was adding home listings every week to the Web site, improving the search engine technology and developing value for the Internet portion of the RIN venture even as other parts of the enterprise were struggling. And while most people at NAR and RIN hid in self-imposed exile, Janssen remained loyal to the trade group, kept RIN secrets to himself and continued to cooperate with the larger Web world.

Back then, no one at NAR or RIN would talk to this news service -- except on background or through secret channels. But Janssen wrote, called and cajoled us to cover the “good news” of the RIN story.

Of course, Janssen wasn’t motivated by altruism. His company had spent years developing touch screen interactive home listing software, and early on he had decided to ride the RIN horse for good or bad. If it failed, his proprietary programs would have to be shopped to other companies or organizations.

Janssen billed RIN more than $1 million for his services, according to RIN’s financial reports. But even after the venture fell apart a few months ago and some venders gave up on the fledging venture, he continued to provide services with the hope that a “white knight” would come riding to RIN’s rescue.

This week, it looks as if his patience and endurance may have paid off.

In the new NAR venture, Real Select Inc., Janssen is the president and has equity in the reconstructed project. Neither NAR nor Janssen would disclose how much he owns of the company.

Of course, the verdict is still out as to whether the new Realtor tech venture will succeed or whether Janssen's choice of horses will be a winner. Through online news groups, some critics have complained that Janssen got a sweetheart deal and that he has overstated the number of home listings on Realtor.com.

But he has disputed these charges and never gotten too distracted by the criticism to take his eye off the ball.

Prior to his work on computerized home listings, Janssen built a start-up firm that provided automated services for the property casualty insurance industry.

He took that company public, and no doubt has similar plans for RealSelect.

RealSelect closes

New future sealed for Realtor Information Network

The National Association of Realtors closed Wednesday on a new technology venture with several large financial investors to expand its home listing Web site at Realtor.com.

The partners worked until 3:00 a.m. eastern standard time to finalize the details.

Organized as a corporation based in Los Angeles, RealSelect is owned by the Realtor Information Network; Allen & Company, a New York-based investment banker; J. H. Whitney, a Stamford, Conn. venture capital firm; InfoTouch, which is a company in part owned by RIN vendor Richard R. Janssen; and an investment partnership owned by new RealSelect Chairman Stuart Wolff.

The financial partners together are making at least a $6 million investment in RealSelect.

The new partnership was announced on November 13 but the closing was held up until final details could be worked out.

Created by NAR, RIN is a $16 million technology venture that fell into financial problems this past summer and has been struggling to survive under a new structure and with an infusion of new funding.

RIN makes deals with creditors

Troubled technology venture offering to pay off

CHICAGO -- Injected with new funds and a new direction, the restructured Realtor Information Network is actively trying to settle this week with its unpaid vendors who got caught in a lurch when the venture ran out of money this summer, Inman News Features has learned.

RIN is a computer technology initiative of the National Association of Realtors that ran into financial problems this past summer. The venture was reorganized last month into a new company, RealSelect, with RIN owning 15 percent of the new project.

The three biggest unpaid vendors are consulting giant Booze Allen & Hamilton, McClean, Virg., Reach Networks, New York and InfoTouch, San Diego, Calif., according to NAR records.

The InfoTouch settlement comes in the form of equity in RealSelect, which was formed to carry out the work of the Realtor.com home listing Web page.

Booze Allen & Hamilton is owed $2.6 million and has reportedly reached a settlement with RIN, Inman News Features has learned. The firm could not be reached for comment.

Reach Networks wouldn't comment. However, Inman News Feature has learned that under its original vendor contract with RIN, the New York-based firm has a long-term agreement that includes a profit-sharing plan with RIN.

"The negotiations with vendors is ongoing," said NAR spokesman Jeff Lubar.

Technically, RIN still owes the National Assn. of Realtors more than $9 million, which both owns and financed the initiative.

How Smith sees it

> *Editor's Note: The agreement by the National Association of Realtors to become a minority partner in the operation of its flagship Web site, Realtor.com left questions dangling in many minds. To answer some of those questions, Dr. Almon R. "Bud" Smith, N.A.R.'s executive vice president and temporary caretaker of the Realtors Information Network (RIN), recently agreed to an exclusive interview with this reporter.*

Just prior to November's NAR convention in San Francisco, a tentative agreement was announced between RIN and RealSelect to take over Realtor.com, with RIN retaining a 15% interest. Stuart Wolff was announced as CEO of the new venture, with Richard Janssen acting as president and running day to day operations from RealSelect's new Los Angeles offices.

Joining RIN among the named and unnamed joint owners of RealSelect are the New York-based investment firm of Allen & Co. and Stamford, Conn.-based J.H. Whitney, a venture capital firm. The two investment firms are reported to be providing $6 million in capital to revitalize Realtor.com and satisfy certain debts through "guaranteed cash payments" to RIN vendors exclusive of the $9 million RIN still owes to NAR.

Smith remained in the background when the deal between RIN and RealSelect was announced last month in San Francisco, and only agreed to be interviewed once the agreement was finalized.

Smith said the deal turned out better for RIN and NAR than might appear to the casual observer.

"We were not exactly negotiating from the position of the greatest strength," Smith said. "The only piece that had value was Realtor.com." Because NAR already had given RIN emergency infusions of operating cash, Smith said the acceptable alternatives he recommended to NAR directors at an August 26 emergency meeting in Chicago were simple and stark: "I told them I was not going to come back and ask for money. It was find a partner to operate Realtor.com or put [RIN] in bankruptcy."

In the time before RIN's $18 million in financial woes became common knowledge, Smith said, "I also had been under the belief that the association would never relinquish less that 51% of Realtor.com." Smith said he changed his mind after taking over the helm as RIN's chief operating officer following the forced departure of Ed Evans.

Smith acknowledged once again that the National Association of Realtors had made a mistake by launching RIN with the mission of trying to compete in the technological and financial free-for-all of the World Wide Web. "Membership organizations, are not gamblers," he said. "They are averse to taking risks. Any solution [to the RIN debacle] that had a chance to work was going to involve finding someone to take this thing over."

Smith said there was nothing magical about retaining a majority interest in Realtor.com. "The sole reason we wanted 51% was the fact that you have a mass of information in Realtor hands, and that information has value. The way the deal was negotiated was that we wanted the content providers, the MLSs and Realtor associations, to have virtual control over the information."

He said that goal was achieved by crafting ten separate addenda to the agreement with RealSelect reiterating NAR control over its trademark property. Smith said state and local Realtor control over data supplied to RealSelect also was carefully spelled out. He pointed out that the risk RIN (NAR) takes in the RealSelect venture is limited to its 15% interest.

Given the RIN debacle, Smith recalled, he was always skeptical about the chances of making money on the World Wide Web. "I asked [the proposed partners] the questions you asked me," he told this reporter. "I said, 'You guys aren't fools. What is it that is valuable about Realtor.com? There are no absolute success models of revenue being produced from Internet sites.' The fact is," Smith concluded, "they are betting on the come."

Even though every revenue model for advertising on the Web remains unproven, Smith insists that what RealSelect executives are not doing is betting in the dark. He said the Web reaches an affluent segment of the population, "people who have a keen interest in real estate."

Smith said further that Stuart Wolff, RealSelect's new chief executive officer, had a genuine interest in advancing the interests of the Realtor customers who advertise on Realtor.com. Wolff formerly did the due diligence examination of Realtor.com in his role as vice president of TCI, the cable television giant that Inman News reported as exploring a partnership with RIN.

As to the charges rained down on Ed Evans, Smith said there were "three specific transactions" that pointed to flagrant misuse of funds, and those promised to be rectified. "I believe that before the month [of December] is out," he said, "that that money will be repaid to RIN."

Addressing other allegations against Evans, Smith said, " I can question decisions that were made, but I don't know whether it is illegal to make wrong decisions."

Jordan Clark of the United Homeowners Association in Washington, D.C., said Smith will be missed because of his "accessibility and willingness to jump into the fray" when Smith retires this year. Smith said his successor will need vision, courage and a "real knowledge of what the individual Realtor does out there" to do the job properly.

Smith denied that inquiring reporters are gloating over the RIN troubles or have a grudge against NAR. "No, I don't think so," he said. "It was a big story and it was very difficult to get information. I had to ask myself, if you were in their position, what would you write?" Smith acknowledged that he was inaccessible to the press during much of the RIN crisis.

1997: Stuart Wolff's RealSelect makes its debut

Realtor.com readies March rollout

From the ashes of RIN, Realtors find their cadence

SAN ANTONIO -- The downward spiral in the past year of the National Association of Realtors' online development efforts appears to have been reversed as Realtors applauded the strides made by RealSelect and OneRealtorPlace this week in San Antonio.

As a result of its misfortunes with the failed Realtor Information Network, NAR owns a 15 percent stake in RealSelect, which operates Realtor.com and has 577,000 home listings. OneRealtorPlace is the successor to the Realtor Desktop module of NAR's Realtor Information Network and promises Realtors anything they would ever need or want on the Internet.

The two Internet sites have teamed up to offer the Realtor and the consumer a one-two punch in the competitive online world.

Scrambling to become the ubiquitous standard for home listings on the Web and the apex for Realtor networking, the two operations are working hand and glove in providing real estate services on the Web.

This week, the 3,500 Realtors attending the midwinter NAR business meeting appeared to be unanimous in praising RealSelect and OneRealtorPlace, which will be an Intranet service available only to Realtors.

The new service will be accessed through NAR's home page, REALTOR.COM, which will have two distinct areas on the Internet. One part will be the Internet side operated by RealSelect where the public can find real estate listings and other information about home buying and selling. The other half will be the Intranet side for Realtors only who must register to use the service.

A brochure distributed at the meeting used a high-rise building metaphor to explain the OneRealtorPlace Intranet site, with each floor containing specific information and features.

The Ground Floor will have a "Lobby Newsstand" with news from NAR, state and local associations, affiliates, and daily news updates from Today's Realtor Online. Also on the Ground Floor will be a "Coffee Shop" for online chats and a "Taxi Stand" offering links to other Web sites.

Other floors will have databases of legal decisions, statistics and research, files of state and local Realtor publications, calendars for meetings and trade shows, and a section on professional standards and Realtor association management. At the top of the virtual building is an "Observation Deck" that will offer "a look into the future of real estate."

Several floors in the demo were "under construction."

The Web site is packed with some of the old RIN hyperbole with terms such as "Realtor at the center of the transaction."

The positioning of the new venture's structure and its image has been carefully reshaped by the executives of NAR. At the Board meeting in San Antonio on Monday, Realtor Dennis Cronk, who guided the workout of the Realtor Information Network, specifically credited NAR attorney Laurie Janek and Realtor public relations guru Jeff Lubar.

While RealSelect has been operating in the Internet world as a fast moving start up with venture capital funds fueling its efforts, in San Antonio the new initiative was characterized by Cronk as "the operator of REALTOR.COM for purposes of offering property ads to the public."

Another NAR negotiator in the workout, Joe Hanauer, Laguna Beach, Ca., said "we had to stop the bleeding of RIN, and that led to outsourcing to RealSelect."

That is one reason that NAR only owns 15 percent of the venture. In other developments related to the past, lawsuits against RIN have been put to rest, according to NAR leadership, and former RIN executive Ed Evans has settled financial irregularities with NAR, according to Jeff Lubar.

As for the new venture, RealSelect executive Stuart Wolff painted a rosy picture of the Realtor.com venture, claiming to have 577,000 real property ads covering 128 markets in 42 states. With nearly 75 percent market saturation in major metro markets, the site will be poised to capture national advertising accounts, according to Wolff.

With 12.5 million hits a month, the site will begin a major push to sell advertising, using SoftBank Interactive Marketing Group, which is a leading Internet advertising firm.

Observers say NAR may have finally found a formula and its cadence. A Realtor Web site shouldn't be too much of a challenge, considering thousands already exist on the Web and have been created successfully by one person start ups.

Moreover, RealSelect is operating more or less free of Realtor politics with private outside funds but with the credibility and the PR horses of NAR and its brand.

Lining up the links

Realtor.com gets ready to hook up with America Online’s Digital Cities

The National Association of Realtors subsidiary that operates Realtor.com, the largest real estate site on the Internet, is expected to announce an agreement with America Online to provide home listings to their popular Digital City service, Inman News Features has learned.

For the past several weeks, according to sources who did not want to be identified, RealSelect and AOL have been discussing an agreement that will be similar to the contract signed by the Realtor company with NBC earlier this spring. In that agreement, RealSelect supplies its listings to NBC’s Interactive Neighborhood, which provides local news and information to network stations across the country.

AOL’s Digital Cities is a similarly tailored regional information program, which offers localized Internet sites often produced in conjunction with a local news outlet. Currently AOL’s Digital City real estate area offers listings from several sources including Century 21. Realtor.com has more than 675,000 homes listed for sale, three times the number of homes provided by any other real estate site on the Web, according to the company.

No other details of the arrangement were available.

In a related development, the Chicago Tribune launched its Digital City Web site Sunday in partnership with 15 other media outlets, including Crain's Chicago Business, WTTW Channel 11, the Chicago Symphony and WGN News Radio. The site is divided into eight categories: News, Sports, Metromix, Visiting, Community, City Tales, Digital Café and Marketplace. It can be reached on the Web and on AOL with keyword "Chicago."

Real estate listings, drawn from the Tribune's real estate classifieds and zoned New Homes Guide, are located in the Marketplace section. New homes listings include photographs and maps; the real estate classifieds are text only. Site visitors also can order free subscriptions to print versions of the New Homes Guide.

Heavyweight partnership

Realtor.com, Digital City link could benefit consumers, agents

The partnership between Realtor.com and America Online's Digital City service, first reported Tuesday by Inman News Features, brings together heavyweights of the online community in a deal that will be beneficial to the businesses, local real estate agents and consumers.

Under the agreement, Realtor.com will provide Digital City with its 750,000 home listings. Digital City will offer the listings on its regionalized World Wide Web sites. Digital City operates sites in most major U.S. cities. Chicago's Digital City opened this weekend.

Under the partnership, consumers interested in buying a home will be able to access listings in the community where they want to live and find homes with the features they want and the price they specify.

"Realtors in these markets also will benefit from the enhanced reach of their listings via this new distribution channel, making for better informed home buyers," said Paul DeBenedictis, president and CEO of Digital City, Inc.

The property listing service is a key component in a larger Digital City real estate area to be launched this summer. Other features include a directory of real estate services delivered via Switchboard, the official directory for Digital City; home shopping and transaction advice; community information; local listings for businesses such as movers and home decorators; a "Showcase of Homes" featuring display ads for property listings and real estate brokers; as well as real estate message boards that will allow Digital City users to share their own home buying advice with others.

With more than 750,000 properties for sale, REALTOR.COM is the most comprehensive online resource for consumers looking to purchase a home.

RealSelect's 1 millionth listing

Pact with California Realtors also creates new company

Two heavyweights in the real estate industry announced a new company that will focus on creating productivity tools for Realtors and an agreement that will send home listings on Realtor.com over the 1 million milestone.

RealSelect, operator of Realtor.com, and the California Association of Realtors profit-making subsidiary, Real Estate Business Services, said they are joining forces to "develop new internet-based technology that will keep the Realtor in the center of the real estate transaction."

The announcement to CAR's board of directors over the weekend provided details of the deal first disclosed two weeks ago by Inman News Features.

The new company, Real Estate Business Technology, Inc., has multiple products under development, said Jeff Johns, who currently heads REBS and will also manage REBT.

"We know what we want to build," Johns said. "We're going to focus on business productivity tools, Internet tools and consumer products that serve our core customers." Johns would not provide details on the new products.

CAR's directors were also told that the association's California Living Network home listing service will be licensed to Realtor.com., which will put the nationwide home listing service over the 1 million mark by the end of August.

CAR has been a leader in developing a comprehensive home listing service on the Internet, forging licensing agreements with Listing Link which can now be found on Yahoo!, Pacific Telesis's At Hand and on the Internet through CAR's own California Living Network.

Last year, CAR CEO Joel Singer encouraged his Realtor members to ask tough questions about the stumbling Realtor Information Network. However, in the last six months, Singer has worked closely with Stuart Wolff, the CEO of RealSelect, which has garnered momentum cutting deals with NBC and AOL.

Trial by file

Realtor.com takes a few hits on the issue of search engines

Newsgroups and E-mail lists are like giving a broadcast mike to anyone and letting them tell the world what they think. Not surprisingly, it is often a forum for the little guy to beat up on the big guy. That may be one reason that real estate news groups have been dumping on Realtor.com.

At issue over the past couple of weeks: Search engines, those workhorses of the Internet that use keywords to direct traffic to specific sites.

Realtor.com, which is operated by the California-based RealSelect for the National Association of Realtors, is currently the heaviest of the heavy-hitters of the real estate Internet sites, with some 47 million hits per month and 18 million homes viewed, according to the company's most recent statistics. It posts more than 770,000 listings from around the country, three times the number of homes provided by any other real estate site on the Web. And it has established key partnerships with USA Today, NBC, and America Online to market the site.

So what's the problem? Listen in.

"You would think that a 'professional' Web-service provider like RealSelect would be able to get the Realtor.com site to show up in a plain old search for 'Denver' and 'Homes' ... so why doesn't it? Why is it that thousands of supposedly less professional agent and companies can manage to get their real estate sites to show up in the very same search, but RealSelect cannot?" wrote one contributor to a major real estate news group last week.

And here's another, from a Tennessee agent: "RealSelect and Realtor.com need to get a major clue as to how the public looks for real estate on the Internet, it ain't by finding the URL in USA Today. They are much more likely to ask a search engine such as InfoSeek for references to "wherever USA real estate" and if they do that Realtor.com doesn't appear ever."

Another agent posted his daily hits report, which showed hundreds of visits on his Web site via such major search engines as Yahoo, Infoseek, AltaVista and Lycos, but none from Realtor.com.

While RealSelect is listed on more than 80 of the Internet's leading search engines, according to company spokesman Karen Fulton, it does not usually come up on local or regional searches. This has frustrated many agents banking on Realtor.com to direct consumers to their home pages on the site.

"That is an area we can improve," says RealSelect chief executive officer Stuart Wolff. "But we have more traffic than any other real estate site. People ARE finding us…If our traffic was anemic, I'd be losing sleep over it."

Wolff said that the year-old company has been focused on marketing Realtor.com as the real estate industry's No. 1 brand name, but that the time may have come to tweak the inner workings of the meat and potatoes of the site: its listings. And he is sanguine about the recent rash of criticism. "I think (real estate professionals) should have high expectations for us," he said. "Search engines are easy to fix with the proper focus. That's probably why I'm sleeping OK at night. Strategic alliances aren't as easy to fix."

In addition, noted Saul Klein, a veteran San Diego agent and host of RealTalk, a leading real estate news group, Internet search engines are just one marketing tool of many in a real estate agent's quiver.

"If you are a real estate professional, and you are spending your hard-earned marketing dollars on the Internet, you should not rely on search engines to send you all your traffic," Klein said. "Real estate professionals must integrate the Internet into what they are already doing in their businesses. Make it easy for people to find your site. And provide an array of information on your site that people would be interested in, even if they are not interested in buying or selling real estate."

The million listing club

Realtor.com first to get there

What does it take to get a million home listings onto the World Wide Web? Two years and millions of dollars. Just ask RealSelect, which operates Realtor.com.

The leading online real estate site today announced it has landed its one millionth home listing on the Web.

Stuart Wolff, chairman and CEO of RealSelect, is bold in his description of his firm's accomplishments: "Reaching the one millionth listing mark further elevates our position as the undisputed market leader in the online real estate space, and Realtors and consumers alike can reap the benefits of having access to this national resource of homes for sale on the Internet."

With approximately 1.2 million homes for sale in the U.S. at any given time, Realtor.com has more than 80 percent of that market online in a national database. Realtor.com works with several distribution partners including NBC, USA Today, AOL's Digital Cities, and Classifieds2000. Realtor.com has an exclusive, lifetime partnership with the National Association of Realtors as the organization's official Web site.

Realtor.com's database is organized by state, city and neighborhood, with a search engine that uses more than 80 home search qualifiers (location, price, lot size, square footage, number of bedrooms, etc.).

Is IPO in cards for Realtor.com?

RealSelect takes aim at public markets in 1998

Ever since Stuart Wolff took over the failed Realtor Information Network late last year from the National Association of Realtors, the lanky Los Angeles businessman has been on an IPO mission. Taking the one million home listings on the Realtor.com Web site public is his pump, his ultimate strategy and the end game for the 34-year-old hard working former TCI middle manager.

Though Wolff has never discussed his plans with this news service, he openly shares his strategy with partners who work with him, according to sources who talked to Inman News Features.

"Everything he does is a building block towards that end," commented one real estate executive who didn't want to be quoted by name.

Wolff took the first steps towards bringing the Realtors Web site to Wall Street last year when he took over RIN using venture capital money from capitalist darling Herb Allen.

For the last six months, he has worked hard at building partnerships with the likes of USA Today, NBC and PointCast -- all important steps for impressing the Wall Street analysts who must be groomed into thinking that a Web site for home listings is a good bet.

So far, partnerships with Web giants such as Microsoft, Yahoo! and Netscape have not been annouced, though such arrangements wouldn't surprise anyone who has tracked the young tech executive at RealSelect, which is the official company that operates Realtor.com. Wolff, RealSelect president Richard Janssen, Allen and some other unnamed investors own 85 percent of RealSelect, with NAR hanging onto 15 percent after RIN flopped.

Before any hope of going public, RealSelect has to finance the continued growth of the company – which seems to go unabated. RealSelect recently purchased a stake in the California Association of Realtors business services unit to build Realtor services, and the firm also purchased the PointCast real estate area of the desktop content push firm.

Based on his successes so far, more funding shouldn't be too big of an obstacle for Wolff. In the second quarter of this year, $612 million in venture capital funds was poured into Internet related investments, according to Coopers & Lybrand LLP, of New York.

In the meantime, the Realtor.com product itself hasn't changed much with its core business continuing to be the home listings -- though some editorial and home mortgage information has been added. Last week, Realtor.com announced it had reached the 1 million listing mark.

Paying their way

Realtor.com adjusts its ad guidelines in wake of complaints

Knoxville, Tenn., Realtor Jim Lee was not a happy camper. While checking out the new relocation center on Realtor.com, an ad at the bottom of the page caught his eye.

"Moving from San Francisco? For a complete, no-cost analysis on selling your current home in today's San Francisco area market, click on: Prudential Jon Douglas Realty. Moving to Atlanta? For other important information about relocating to the Atlanta area, click on: The Prudential Atlanta Realty."

Lee was upset that Realtor.com, the official Internet site of the National Association of Realtors that is operated as a subsidiary through Calif.-based Real Select, was giving prominent ad space to a competing advertising firm.

"I don't how the rest of the group feels about this little extra service they are furnishing but I'm am outraged that RealSelect is using this Web site to promote my competition," Lee, who is with Realty Executives, wrote in the private online real estate forum, RealTalk.

Lee also complained about a relocation company ad elsewhere on the site offering rebates to consumers who used one of their recommended real estate professionals. RealSelect eventually replaced the relocation ad and Lee himself received a call from RealSelect President Richard Janssen explaining the company's advertising policy.

It all may seem like a tempest in a teapot, but the episode does illustrate the kind of love/hate relationship the industry has with even its own endorsed presence on the Internet.

Realtor.com has been up and running for two years, and is the largest real estate site on the Internet, carrying more than one million of the 1.5 million property listings in the U.S. at any one time. Last year, RealSelect expanded the site's reach by signing affinity relationships with America Online, NBC and USA Today.

Realtor.com has made its reputation in the marketplace on the strength of its numbers. While that may be a point of pride for the industry as a whole, the numbers cut both ways for individual agents who aren't always comfortable with their listings running cheek to cheek with those of competitors on the site.

But what many agents really fear is the gradual erosion of their position at the center of a real estate transaction. It is a fear expressed in continuing opposition to allowing For Sale By Owner advertising on Realtor.com, for example, despite the fact that FSBO ads are routinely accepted by such major Internet players as Yahoo! Classifieds.

RealSelect officials maintain that keeping real estate professionals in business is still a guiding principle of Realtor.com. Nevertheless, says chief executive officer Stuart Wolff, the massive exposure Realtor.com now has through major media outlets means that the company must balance more interests and be fair at the same time. "We are the largest real estate site and there's a responsibility that goes with it. You need to create an open platform," says Wolff.

Wolff said that the company would continue to monitor advertisers and make "course corrections" as needed. "We're still refining our advertising guidelines," he said. "We just need to listen. I think the dialogue is healthy."

Real estate technology guru Jack Harper of TechTrax agreed that RealSelect needs to keep its ears open as far as the industry is concerned, while also more closely evaluating its advertising policy. "RealSelect has an obligation to support their primary 'master' -- the association membership -- but a secondary and just as important responsibility to provide a profit margin for their shareholders (which includes NAR)," said Harper, who was involved with the Realtor Information Network, NAR's first and ill-fated Internet attempt.

Harper recommended that one solution might be to explore avenues for revenue, including partnering with alternative delivery sources such as Web TV, and turning to companies that advertise in the NAR's magazine, Today's Realtor, and trade shows. "These sources would probably pay a handsome fee every month to be able to second-source the listings found on Realtor.com ," Harper said.

1998: Realtor.com battles Microsoft over listings and eyeballs

RealSelect pays up

Signs $14M deal with AOL

RealSelect, the operators of the Realtor.com home listing site sponsored by the National Association of Realtors, will pay $14 million for a three-year deal with America Online, online news service MSNBC reported.

The deal, expected to be announced soon, was reported in Inman News Features last month.

According to MSNBC, the deal makes RealSelect the exclusive provider of new home listings in AOL's Real Estate Center. Realtor.com's 1.1 million listings will also be promoted on AOL's Digital Cities community area.

AOL is the leading online service provider with about 12 million subscribers.

RealSelect CEO Stuart Wolff said his Westlake Village, Calif. company plans to start collecting commissions from mortgage lenders similar to other online loan referral service providers, according to the report.

Gunsmoke in D.C.

MLS boards consider pitches for their data

WASHINGTON, D.C. – Gunfighters from five Internet advertising companies met in Washington, D.C. today for a shoot-out over a lucrative prize -- the real estate listings held by multiple listing services (MLSs).

While software giant Microsoft loaded its gun with cash and incentives, fear was the weapon launched by the National Association of Realtor's Realtor.com. The three other Internet companies at the Clareity-sponsored Shoot Out, Homes.com, Homeseekers.com and Cyberhomes.com took more of a middle ground when they demonstrated their products.

Dr. Stuart H. Wolff, chairman and CEO of RealSelect, Inc, the Westlake Village, Calif. manager of NAR's Realtor.com Internet site, took some broad shots at Microsoft, suggesting that Realtors should question the company's motives.

"What is the ultimate distribution network for MLS/Realtor/broker products? The most important [issue to consider] is what is the long-term strategy of your distribution partner? Are they ultimately going to put you out of business? Are they selling houses or are they selling Realtor services?" he asked.

"We're designed to sell Realtor services. That's what we do today. That's what we did yesterday. That's what we're going to do tomorrow," Wolff said. "We have lifetime guarantees. We're going to sell Realtor services forever."

By contrast, Microsoft's Homeadvisor.com, which has yet to be launched, will focus on selling homes, not Realtor services, he said. That's a policy difference that "will ultimately destroy the Realtors' business," Wolff predicted, pointing to lowered commissions seen in the travel business and stock market after those industries began offering on-line transactions.

Wolff said Realtor.com will unveil a broker-friendly mortgage strategy shortly and that RealSelect has $30 million to spend marketing Realtor.com to Internet users via America Online, Digital City, Infoseek, Lycos, NetFind, USA Today and television advertising.

Microsoft responded with a long list of promises and freebies it says make its Homeadvisor.com site Realtor-centric. No FSBOs, no referral fees of any kind, no re-licensing of data, no lender/competitor ads on your listings and no participation in agent commissions, said Group Product Manager Larry Cohen.

Homeadvisor's free services will include contact information for the listing including the agent's name, telephone number and web link. The other panelists said they charge agents between $100 and $199 a year to post homepages.

Microsoft also said it will contribute $10,000 to MLS' to help cover the cost of setting up data feeds and promised a 10 percent share of advertising revenues with a minimum guaranteed amount of revenue based on the number of listings an MLS contributes.

Microsoft's gunslinger fired a few rounds at other Internet sites, pointing out that while they may not list FSBOs, they do have links to AOL and Infoseek sites where consumers will find a information on selling their homes themselves. "Stuart [Wolff] just announced a $14 million relationship with AOL and they are selling FSBOs. Infoseek does the very same thing," said Cohen.

You'll get more than just an Internet listing when you work with Homes & Land Publishing Ltd., said vice president of electronic commerce Jay Westmark. Homes & Land sees its Internet site as part of an overall product line that includes the 5.5 million circulation Homes & Land Magazine, direct mail and relocation services.

The company's 300,000-listing, multi-lingual site, Homes.com, is getting 22,000 hits a day. Westmark said those hits generate 900 electronic referrals to agents, 1,200 requests for copies of the magazine and 1,000 calls a day to the company's toll-free phone lines. Homes & Land was also the only participant that does not share advertising or other gross revenues with its real estate partners.

Moore Data Management Services, operator of Cyberhomes.com, said it would share transactional as well as advertising revenues. "There's multiple business strategies out there, so our theme is working with MLS partners to help them be selective, but not exclusive," said Howard Latham, vice president of Moore Data Management Services.

"We've had nightly updates from day one. That's critical…you can never be accused of bait and switch [advertising for] showing a listing that's expired," Latham said. He added that Cyberhome's push technology lets agents and brokers send E-mail to consumers to let them know that a new home meeting their needs has come on the market.

John V. Giaimo, president and COO of NDS Software, publishers of Homeseekers.com, has 500,000 listings at his site, which displays all contact information for agents, whether or not they buy a homepage, he said. Giaimo likened the sites to magazines at a bookstore. Why advertise in just one? "Spread yourself out to several of these sites," he advised.

What did the MLS' at the shoot-out think of the presentations? "Each has a product that should be considered by all of us, because you need maximum exposure" for your members' data, said George Stephens of the Houston Association of Realtors.

By contrast, Jack E. Johnson, CEO of the Northwest MLS, an independent broker-owned, Seattle-area MLS said his data is not on any non-broker-owned websites. "The broker should be the one making contact with the consumer," Johnson said. "We remain unconvinced as to the advantages to our membership of a presence on a national site and there sure appear to be a lot of disadvantages," said Johnson.

The Washington, D.C., Maryland and Virginia MLS seems to be siding with NAR. "I am very concerned about giving content away to the various people that are not in the real estate business," said Metropolitan Regional Information Systems, Inc. CEO Dale Ross. "I'm very concerned about brokers staying in business and MLS' staying in business…I see companies facing us that [want to] take that business away," he said.

The largest MLS in the world, which covers Northern Illinois, has already signed agreements with three of the five panelists and is in discussions with the others. "All the panelists here today have very good, strong product lines. And I know the participants in our multiple listing service are getting a lot of value out of the locations we're on," said MLS of Northern Illinois CEO Jay Huffman.

Battle heats up even more

Industry players launch anti-exclusion message

A letter signed by seven leading realty firms and real estate Web services went out to brokers and MLS executives Friday afternoon denouncing the tactics of RealSelect to control home listing data, Inman News has learned.

The latest salvo in the ongoing battle for listing data on the Web, the letter was addressed to "Fellow Real Estate Industry Leaders" regarding "Concern Over Exclusionary MLS Contracts," and references RealSelect's Gold Alliance Program, which requires MLSs under some conditions to refrain from other national listing distribution arrangements. RealSelect operates Realtor.com, the National Association of Realtors-sponsored home listing website.

Representatives of RealSelect could not immediately be reached for comment regarding the letter. However, a RealSelect spokesman previously indicated that their program was not exclusive because it permits MLS organizations to put their listings on local sites and grandfathers some national sites for 18 months.

The letter comes at a time when the battle over listing data is reaching a feverish pitch, fueled by Microsoft's impending entry into the home listing space and RealSelect's moves to control and protect listing data.

The letter was signed by Allen Sabbag, president of Better Homes and Gardens; John Van Der Wall, president of Prudential Real Estate Affiliates, Daryl Jesperson, president of RE/MAX International, Ned Hoyt, president of HomeShark/HomeScout, Laura Rippy, product unit manager for Microsoft HomeAdvisor, Howard Latham, vice president and general manager of Cyberhomes, and John Giaimo, president of HomeSeekers.

The letter states that its signees "believe it is wrong for MLS boards to agree to ANY exclusive or exclusionary licensing terms," and encourages letter recipients "not to enter into any exclusionary type deals." The letter also states that "exclusive" hurts consumers, Realtors, brokers and franchises, MLS boards and "is wrong for the Internet."

"Experience has shown that exclusive doesn't work on the Internet. The biggest Internet success stories are those who are IN-clusive, not EX-clusive," according to the letter.

RealSelect and Realty Alliance

Realtor.com site reportedly offering stake to brokers

RealSelect, which operates the National Association of Realtors home listing site, is in discussion with the Realty Alliance, a trade group of independent brokers, to form a partnership between the two groups, Inman News Features has learned.

While details have not been agreed to, part of the proposal centers around a plan to give participating brokers an opportunity to get some sort of current or future stake in RealSelect. In return, Alliance brokers would reportedly be asked to limit where on the Web their home listings are shown.

According to sources close to the discussion, RealSelect representatives are meeting with a special Realty Alliance committee charged with hammering out the agreement with Realtor.com.

The arrangement reportedly calls for Realty Alliance representation of some sort on a Real Select governing board or advisory group.

The Realty Alliance is a trade group of some of the largest independent real estate brokers.

If the RealSelect/Realty Alliance committee can make progress, a proposal might be before the Alliance board of directors in coming weeks, say sources.

Calls placed to RealSelect or the Realty Alliance seeking comment regarding the discussions were not returned.

It's live

Microsoft's HomeAdvisor is turned on

In one of the most anticipated Internet ventures in the short history of the Web, Microsoft's HomeAdvisor is finally live today.

Subject of debate, hype and scorn for the past year, HomeAdvisor, Microsoft's long-awaited entrant in the home listing and loan category of the Web, will be held up to the consumer test.

HomeAdvisor offers a number of services currently replicated by other companies on the Internet, but is arguably the most integrated and comprehensive effort to date.

The site features six sections, including Getting Started, Neighborhoods, Homes, Financing, Offer and Closing, and a special help section that provides a glossary, frequently asked questions and site support.

Innovative new services include a home defect library, consumer guides and a home and loan tracker.

The site includes home listings from brokers such as John L. Scott of Seattle and the Corcoron Group, New York; franchises such as RE/MAX, Prudential and Better Homes & Gardens; and MLS organizations such as the Arizona, Houston, Texas and Naples, Florida MLS. However, the site is not nearly as robust with home listings as its competitor Realtor.com.

Nevertheless, the most interesting feature about HomeAdvisor is the amount of power and information it delivers to consumers.

Inman Decision Support, a sister division to Inman News Features, provides editorial advice, a defect detector guide, a 1,000-term glossary, answers to frequently-asked questions about buying homes and loans, and other editorial content throughout the site. Users also get detailed explanations of the most important closing-related documents including sample purchase contract, loan forms and home inspection forms.

Other features include a favorite homes list; demographic, school and crime data by neighborhood which describe the type of people living there; a mortgage rate tracker and email notification tool; sample contracts; a credit report analyzer; and the home inspection defect detector, which highlights particularly troublesome areas of a property by defect type.

HomeAdvisor debuts its loan finder area with three lenders, Principal Funding, HomeSide and AFI, through which consumers can get answers regarding specific loan products.

Larry Cohen, HomeAdvisor product manager, promised "plenty" of advertising for the site in the coming weeks to drive consumers to the site.

"The biggest challenge we all face in this new 'online real estate' category will be to grow consumer awareness that this type of solution is available," Cohen said. "Awareness is still fairly low."

"We are very good at that type of marketing, and it's more than putting our icon on other's sites," he said. "We will be working hard in many different mediums to raise consumer awareness."

Days before the launch, industry observers were either expecting great or lesser-than-great things out of the latest entrant in the real estate Web space.

Al Napier, of RE/MAX Precision Realty in Newington, Conn. said he would "happily be involved with HomeAdvisor" if it helped his clients.

"However, between Realtor.com and my personal Web site, I'm really not sure if HomeAdvisor is needed or would benefit either me or my clients," Napier said. "The vast majority of the information they would want or need is already available to them. The rest of it I'm busy working on providing."

"I don't feel that HomeAdvisor itself will change the industry," said Russ Bergeron, general manager of the Southern California Multiple Listing Service (SoCalMLS). "The model for HomeAdvisor isn't much different than other arrangements between Web sites and lenders. I think the fact that it is Microsoft -- the company everyone seems to love to hate -- will force people to re-evaluate their positions and look for better and different ways of doing business."

Bergeron points to the reaction from RealSelect, operators of Realtor.com, and the National Association of Realtors, who have already reacted by encouraging the industry to protect its listing data. However, other industry players, such as Cendant, could have more of an effect on the industry than HomeAdvisor, he said.

Gilbert Barnes, President and COO of Ocwen Technology eXchange and a member of the HomeAdvisor Real Estate Advisory Board, expects Microsoft to increase standards for its competition and also contribute to the success of other players.

"I believe when the real estate industry realizes that Microsoft is not some predatory beast that wants to hurt the real estate industry, it will realize that the software firm will be an incredible marketing channel for Realtors and other related companies," Barnes said.

Perspective

Consummate dealmaker Stuart Wolff

In her new book "AOL.com," author and Washington Post reporter Kara Swisher describes the spring of 1996 as "March Madness" in the history of the booming online service America Online, when CEO Steve Case was cutting deals every which way, from Microsoft to Netscape.

In the online real estate category, Stuart Wolff, CEO of RealSelect, is equally relentless about brokering deals. In the last year, every month seems to be madness for the online realty executive who runs Realtor.com.

Yesterday, for example, Wolff announced a deal with Excite, adding another trophy to his long list of portal deals, which also includes Lycos and AOL.

One of Wolff's refrains is "success on the Web is content and distribution."

Indeed, he was one of the first players in the fledgling online real estate category to figure out the value of portals. He understood that distribution was critical to reaching the mass market that the Web promised, and he figured out that the best way to get there was through the mega-sites.

A former vice president at TCI, Wolff is reportedly an intense dealmaker. He picks his targets carefully and goes after them with a deliberate and plodding approach, according to observers who have sat across the table from him. In public settings or small meetings, he is a soft-spoken executive who asks lots of questions, listens intently, picks his words carefully and then acts.

"He loves the art of a deal – you can see it in his eyes," said one Realtor.com partner.

Aiding in his deal-making mission, Wolff has a healthy bankroll from investors who have helped to finance his many portal partners, his growing staff, and his widening commitments. The AOL arrangement, for example, reportedly cost RealSelect $14 million.

The Excite alliance was characterized in a RealSelect press release as another "multi-year, multi-million dollar alliance".

Ample funding has served Wolff well elsewhere.

When Microsoft upped the ante for MLS listings this spring, RealSelect matched and even offered to beat the software giant if the MLSs would offer listings on a somewhat exclusive basis to Realtor.com.

Indeed, whenever Wolff has position, clout or resources, he isn't afraid to push for advantage, something he likely learned at cable giant TCI.

When cutting deals, Wolff often does a tag team with one of his chief lieutenants, Peter Tafeen, who is equally competitive in hammering out deals. Vice-president of business technology at Real Select, Tafeen came from PointCast, where he nailed down scads of partnerships.

In the last year, most of Wolff's detractors have come to believe that his progress can no longer be underestimated. He saved the former Realtor Information Network from disaster, he has found a healthy band of investors to support his vision and he has tied up portal after portal.

What, if anything, could possibly stop Stuart Wolff?

Cendant and RealSelect get cozy

Online listing service and realty giant in deal

Realty giant Cendant Corp. and RealSelect, which operates the largest home listing Web site, have agreed to work together on delivering Web services as well as cooperating on peddling Web pages to Cendant real estate agents, Inman News Features has learned.

RealSelect has agreed to pay a "significant fee" to Cendant for the arrangement, which according to one source is a "mega-preferrred vendor deal."

Cendant Real Estate spokesman Ted Deutsch would not confirm or deny any such agreement. "We are talking to all the major Internet providers, so it's no secret that we've talked to them," he said.

RealSelect officials were not immediately available for comment.

Cendant has generated significant revenues by selling preferred vendor relationships to firms that want to sell their services to real estate agents.

RealSelect, which operates Realtor.com, is aggressively trying to sell Web services to realty agents and Cendant is viewed as a powerful distribution point for such sales.

Under the new arrangement, RealSelect may also host Web services for the three Cendant real estate brands - ERA, Coldwell Banker and Century 21.

Realtor duo behind Realtor.com

Cronk and Hanauer chief promoters of RealSelect

Last week, the National Association of Realtors blasted a fax to the real estate community, sounding the alarm bells about who agents and organized Realtor groups should consider and not consider doing business with over the Internet.

The cover to the fax was from incoming NAR president-elect Dennis R. Cronk. Attached was a Q&A article featuring insights from real estate veteran Joe F. Hanauer.

Behind the scenes, no two Realtors have played a more influential role in the development of Realtor.com, both boosting RealSelect's standing inside organized real estate and igniting passion among the real estate crowd about alleged threats lurking at their door. Cronk and Hanauer both serve on the RealSelect board of directors.

Regarded as a strong-willed Realtor leader, Cronk is a 24-year real estate veteran from Roanoke, Va. In late 1996, he was the lead negotiator for the failed Realtor Information Network when former TCI vice president Stuart Wolff and a group of venture capital investors bought into Realtor.com. Cronk is a broker and partner with Waldvogel, Poe and Cronk Real Estate Group, Inc., in Roanoke, Va

Former Coldwell Banker Chairman, Hanauer joined Cronk in the RIN negotiations, and since then has used his far-reaching real estate contacts to help RealSelect, lobbying realty executives to get behind Realtor.com. Based in Laguna Beach, Calif., he is on the NAR executive committee and is a principal of Combined Investment L.P, an investment company that he owns and operates.

If Realtor.com succeeds, it wouldn't be the first time that Hanauer earned his keep at a firm that at one time seemed like a losing proposition.

The Southern California real estate investor and executive helped to turn around Grubb and Ellis, where he still serves on the board of directors. Hanauer joined the Grubb & Ellis Board as chairman in January 1993 and led the restructuring of the company. Before then, Grubb had experienced several years of severe losses and mounting debt due to its rapid expansion in the 1980s. In addition to his role as chairman, Hanauer stepped in as interim CEO from July 1994 until December 1995 while Grubb & Ellis accelerated its reorganization.

In March of 1997, he stepped down as chairman. During his tenure, the company's stock increased from around $3 a share to more than $17 per share.

Hanauer and Cronk now have their sights on an even longer home run with Realtor.com, where so far everything seems to be going according to plan.

RealSelect pays Cendant $11.5 million

Realty franchise and Web service in agreement

RealSelect, which operates Realtor.com, paid Cendant at least $11.5 million as part of an agreement between the online home listing service and the realty franchise firm, Inman News Features has learned. The payments were made in July.

Neither company would comment on the relationship, nor were details of the arrangement immediately available.

However, some combination of a preferred vendor relationship and realty agent Web services are expected to be part of the arrangement.

In other preferred vendor relationships with Cendant, firms pay a fee for access to Cendant's vast real estate membership and then sell services to agents or brokers.

RealSelect sells real estate agent Web pages. A gateway to the Cendant real estate rank and file would represent a robust marketing opportunity for the National Association of Realtors-backed Web enterprise.

The Stuart Wolff show

Whether it is about baseball star Mark McGuire, software giant Microsoft or President Clinton, there are certain things we know, other issues we speculate about and other dynamics we flatly just don't understand. Face it, when it comes to the biggest or the best or the most powerful, guesswork abounds.

For now and for sometime to come, Realtor.com's Stuart Wolff is our guy to watch and to figure out. Our beat is the online real estate category and he is the top dog.

In the last several months, Inman News has received dozens of emails from Realtors around the country, who have raised questions about recent partnerships announced by RealSelect, the online listing service that was founded by the National Assn. of Realtors and that Wolff runs.

The very RS deals that worry some, such as those with Cendant, Intuit and the National Assn. of HomeBuilders have helped the burgeoning start-up broaden its reach, tighten its hold on the online real estate industry and raise its valuation.

But in so doing, some NAR members, which for now are distant voices, are privately asking whether the Realtor.com juggernaut is uncontrollable and at the very least out of the National Assn. of Realtor's control. And the bigger question may be whether this spate of recent deals, which is clearly in the best interest of RealSelect, is in the best long term interest of the average Realtor. Looming even larger is whether RS will help consumers cut a better deal when they buy homes.

The timing is right for an assessment.

One thing is for sure, Realtor.com has become a powerful lead generator for the average Realtor and has become the leading real esate Intenert site.

It also has become much bigger than the average Realtor, larger than even NAR in some ways and more influential than anything that has led the industry in the last 50 years. In 20 short months, it has injected itself into the warp and woof of a clubbish community that invites everyone to its parties but only allows a few upstairs to its VIP room. Wolff can go upstairs whenever he wants, and when he enters everyone stands up and applauds.

In the Information Age, RS has become the tail that wags the dog of organized real estate; on paper it has become more financially valuable than the trade group itself; and maybe even more important than the industry's grip on the U. S. Congress. Beyond FHA loan limits and tax law, Realtor.com is at the very apex of every move the powerful trade group makes and it could become the gateway for millions of real estate transactions. This is something that NAR itself has never achieved.

That is one reason why the NAR inner circle, which includes two RealSelect board members and known industry leaders Joe Hanauer and Dennis Cronk, are overwhelmed with exuberance in their Internet venture. They are dedicated to its success with near zealot passion, viewing its future as a powerful Internet defense against outsiders who may not take the Realtor's self-interest quite so seriously.

Along with performance, confidence in RealSelect is rooted in NAR's financial interest in RealSelect, its representation on the RS board and a reported 900-page contract with the trade group that promises "lifetime" protection for Realtors. To prove that it cannot hurt the industry, RealSelect often points to the "contract", which is reportedly leather bound and revered as a realty industry/cyberspace version of the Bible, the U.S. Constitution or the Ten Commandments

Plus, those around the online realty firm, including some big investors, are taken by Internet euphoria. They understandably view RealSelect as a prodigious opportunity that goes beyond the world of the average Realtor. When an IPO like eBay goes up 162 percent on its first day in the public markets, the sense of purpose grows even stronger at Realtor.com.

The legal contract along with the unwavering commitment by top-level NAR officials is also the justification for the long leash that RealSelect's CEO and founder Wolff has been given to pursue his Internet gambit.

Wolff himself must feel like one of those jugglers, who spins a ball on his nose while balancing two plates from sticks as he walks blindfolded on a beam atop a 80-story high-rise

While sewn to the Realtor community as tight as a an embroidered logo on a cap, Wolff also understands this is a bigger contest than "Stanley's Homes and Loans" in Peoria.

He understands that his Web valuation is tied to creating an economic model that must go far beyond the Realtor, which currently is his central revenue source.

To go IPO, which is clearly its single-most important objective for now, RealSelect must scramble for added Web revenue such as a consumer direct mortgages, a new-home listing service in conjunction with home builders and even vacation and apartment listings. Plus, RealSelect figured out it must cut a big deal with real estate franchise leader Cendant.

All of these steps are politically charged and even deemed threatening to some Realtor members. Some brokers worry about homes and loans being together on the Web, cannibalizing their loan broker businesses. Others fret about the mounting influence of Cendant, and others worry about newly-constructed homes being on the web because they smell like FSBOs. Ironically, these are some of the same issues raised by Realtor.com supporters about other Web ventures.

Nevertheless, Wolff so far has adeptly walked this political tightrope without falling. He or someone on his behalf defends every deal, confronts every critic and intimidate others.

In the end, Wolff understands the importance of knitting all of these pieces together to show the investment community that he has an edge over Microsoft -- cementing his position as the #1 online realty player. This is particularly true now as the IPO market is more discriminating and investors are looking to fund only the top dog in every category.

Nevertheless, these same moves prompt realty news groups and some industry leaders to occassionally worry about Wolff's power.

Of course, some foks grovel in criticizing the successful, and others are irritated because they are not benefiting from the riches of Realtor.com

And, hubris also plays a role -- a characteristic synonymous with Realtor.com. That's in part because of Wolff, Hanauer and Cronk, who view their quest as a war --they are doing battle against Microsoft, they have undertaken a righteous struggle against the displacement of the Realtor in the Internet age and they are engaged in a crusade for a successful RealSelect IPO.

A backlash to this attitude and the volume of confusing deals has led to a potential Realtor-PR problem -- discontent in part mustered up by Microsoft.

Consequently, in recent weeks RealSelect has gone out of its way to persuade Realtor leaders that its deals can be handled responsibly. It even issued a paper with "talking points".

Only time will tell whether the Realtor.com Internet play will pay the big dividends that so many people now expect.

For now, Realtors are getting leads for their home listings. And in the end, that may be more important than any of the controversey.

For consumers, their choices are becoming much like they are currently. The industry controls the consumer direct channel much like it does the existing paradigm.

For Stuart Wolff, he is sticking to his course.

Unfolding alliance

More details on Cendant/RealSelect

RealSelect and Cendant are working together to create bundled products to include elements from both Realtor.com and all three Web sites operated by Cendant's realty brands, which will include price incentives for purchasing both products together rather than separately, Inman News has learned.

However, according to a Q & A sent from Cendant to its real estate brokers at ERA, Coldwell Banker and Century 21, not much is likely to change as a result of the strategic alliance announced between Cendant and RealSelect on Aug. 19 -- at least not right away.

Details in the Q & A included:

- Pricing for Realtor.com's stand-alone Agent and Office SIMPLE products will remain the same.
- RealSelect will retroactively extend the benefits of any new bundled products to those who buy Realtor.com products between Aug. 19 and the launch of the new products. Those bundled products are not finalized, but will be released later this fall.
- Leads will continue to flow through Realtor.com and ERA's, Coldwell Banker's and Century 21's Web sites in the same way they have.
- Each realty brand's Web site will remain intact and its features and inventory will grow over time; however, the RealSelect alliance will enhance the realty sites and improve each brand's presence on the Web.

In its message to brokers, Cendant reiterates its commitment to the individual realty brands' Web sites and suggests future alliances are on the way.

"Cendant is seeking broad exposure on the Internet," the Q & A says. "(Each realty brand's Web site) is a highly effective 'channel' on the Internet, but we can't ignore the numerous other sites (like REALTOR.COM) that also can be described as 'national networks' or 'prime cable' channels.

"We want you and your listings to appear wherever consumers are most likely to look. That is the essence of Cendant's Internet strategy, and the reason it has decided to ally with RealSelect and potentially others."

Through the alliance, Cendant claims brokers will get great values for Web design, site hosting and site maintenance packages while increasing their Web exposure for no cost.

The new Realtor.com

Site incorporates step-by-step format

The new Realtor.com stepped onstage Tuesday, showing off a more streamlined and graphical consumer approach -- and a lot more content.

The site goes more in depth on the home selling and buying process, offering explanation and advice on every part of the transaction including financing, moving and ownership. A personal planner tool lets users save articles and previous home searches.

Competition among home listing sites on the Web has reached a feverish pitch in the past year, as online competitors such as Cyberhomes, HomeShark and Microsoft's HomeAdvisor have built up listing content and partnered with other real estate-related startups and Web portals.

Realtor.com currently sits on top of this heap, however, with 1.3 million home listings -- the most on the Web -- and prominent placement on some of the largest Web portals. Backed by the National Association of Realtors, the new site is bound to be held to a higher standard.

Gone are simple text links on Realtor.com, as RealSelect, the operators of Realtor.com, has opted for a more colorful layout that combines graphics and navigation. There is even a slight resemblance to HomeAdvisor, as the new Realtor.com is organized similarly into steps: Getting Started, Buying, Selling, Offer/Closing, Moving and Owning.

The old Realtor.com is still accessible at www.realtor.com, where link to the new site is provided.

The new site was designed through a partnership between RealSelect, Scient and Studio Archetype. Scient provides electronic business solutions and strategies.

Realtor.com keiretsu

KP's John Doerr plays critical role

There's been months-long private speculation in the real estate industry that Silicon Valley venture capitalists Kleiner Perkins not only had an investment in Realtor.com, but was also playing a leadership role in its direction.

The KP link was confirmed this week, as John Doerr, a KP partner, is publicly acknowledging his position on Realtor.com's board directors, according to his bio on the KP Web site.

KP is also an investor in Realtor.com, according to the site.

Doerr, cited as a member of the Digerati, also sits on the director boards of Intuit, Sun Microsystems, Macromedia, Amazon.com, and Netscape.

The KP connection also fits with Realtor.com's history of confrontation with Microsoft, as KP and Doerr have worked with numerous firms that view Microsoft as their fiercest competitor.

Netscape and Sun, as many will recall, led the charge against Microsoft when the U.S. Department of Justice began investigating whether the Redmond software makers were leveraging a monopoly with its Windows product.

Netscape has content deals with Intuit, Realtor.com and Amazon.com.

All these interlocking Web businesses fit into KP's idea of keiretsu, according to their Web site. In Japan, keiretsu is formalized with interlocking directorships and cooperation between large companies that would normally be competitors.

"The companies in the KPCB Keiretsu consistently share experiences, insights, knowledge and information," according to the Kleiner Perkins site. "This networking resource, comprised of more than 175 companies and thousands of executives, has proven to be an invaluable tool to entrepreneurs in both emerging and developing companies."

Most interesting behind the link to Doerr is the recent alliance between Intuit and RealSelect -- the operator of Realtor.com. Some integration between Intuit's QuickenMortgage site and Realtor.com is expected in the months ahead.

According to a story in today's *Los Angeles Times*, RealSelect Inc. received $50 million in investments during the third quarter.

News analysis

Doerr and RealSelect: The elated view and the distrustful reaction

The news about Internet powerhouse investment firm Kleiner Perkins Caufield & Byers investing in Realtor.com and technology golden boy John Doerr taking a seat on the RealSelect board was greeted by two different views: One euphoric, and the other cynical.

The first reaction goes something like this: When the heavyweight of the online world blessed RealSelect, it validated that the National Association of Realtors, RealSelect's Stuart Wolff, et. al had been right all along. The venture that was birthed out of NAR's failed Realtor Information Network was not only worth saving, but was the great right hope for the real estate industry.

The theory goes that Realtors would not only be saved from the Internet beast, but be central to its real estate e-commerce future. They were now teamed up with Doerr, and together they would not only thrive in the new age but do so consistent with the Realtor's best interests.

CEO Wolff said it best in a recent article in the California Association of Realtors tech magazine, where he spoke about the real estate industry. "You're dealing with 15 percent of the nation's GDP (Gross Domestic Product) and you go and start monkeying with this thing. We believe that a lot of people out there are somewhat playing with fire. We're taking a more comprehensive approach to this, thinking through long-term what are the implications, making sure we don't create a forest fire -- like the travel or stock industry."

Wolff, the lion tamer, stands up with and against the Web beast, confronts outsiders like Yahoo! and Microsoft, but somehow still wins big time at the Internet roulette board.

That is the euphoric reaction to Doerr entering real estate.

The second reaction to Doerr and RealSelect is that the often daunted Lions over the Hill may include Stuart Wolff and the RealSelect team, who use the Realtors' mantra, resources and clout to get the corner on home listings. But they have now put real estate industry's online fate in the hands of Silicon Valley e-commerce kingpins like Doerr, who once said "the Internet stock boom is the biggest legal creation of wealth in human history and it is still in its early stages."

You could argue Realtor.com's new venture capitalist partner helped make life more challenging for bookkeepers, accountants and mortgage brokers through the success of its investments in Intuit, and turned booksellers' lives upside down through its investments and coaching of Amazon.com.

Then there is Netscape, which Doerr has been an intimate part of. The commercial grandfather of the Web, Netscape has probably done more than any other technology innovation in the last 100 years to re-shape how goods are sold and services are rendered.

Does that mean Doerr is out to secretly get real estate agents? Of course not. That is like saying Microsoft's CarPoint and Expedia properties are proof that the software giant cannot be trusted in the real estate space.

These arguments are only intended to spread fear and slow down innovation, and are nothing more than business tactics to outsmart the competition. Plus, the business models for e-commerce are varied and customized to the industry.

Nevertheless, I would argue that the center of gravity in the world of real estate services is shifting, just as the Internet is moving the apex in many industries.

When companies like Microsoft, Intuit and John Doerr are in your space, get ready for change.

When I helped Microsoft with its HomeAdvisor product earlier this year and last, the first thing I noticed is the firm's eagerness to understand consumer behavior, spend resources on figuring out the issues, and innovate. All three of these characteristics have often been woefully lacking in the traditional real estate business.

It is that very lethargy that explains why Redmond and Silicon Valley will become the new leaders of the industry. In the future, everyone will be checking their clocks based on their actions.

Wolff details Web struggles

RealSelect CEO gives insight to online dynamics

During his first keynote address at Connect 98, RealSelect helmsman Stuart Wolff provided a sense of what it feels like to be the Internet's largest real estate content provider and have content deals with almost every major Web directory.

But as he told it, Realtor.com's success story hasn't been easy to write.

The movement toward Web consolidation has been particularly challenging, given the "interesting dynamics" between content providers like Realtor.com, Web distribution portals and who ends up paying who, Wolff said. RealSelect has reportedly paid out hefty sums for exclusive presence on major Web portals.

"It was all about leverage, who was more powerful," he said. "It all depended on the relative power structure."

Struggles are also a routine part of the Web supply chain consisting of manufacturers, distributors, retailers and consumers. "You're probably somewhere in the supply chain," Wolff told convention goers, "and you've got to look above and below you, because there's probably pressure coming from either side."

Another challenge for RealSelect has been the particular strengths and weaknesses of the real estate industry. To their benefit, Realtors are very competitive and have built a strong lobby, Wolff said, but they also have relatively low amounts of capital and tend to look for short-term solutions.

However, Wolff is a strong believer that real estate agents will survive the Web intermediaries. Although traditional retailers such as booksellers and travel agents "are probably going to be toast," doctors and real estate agents offer services that are not as replaceable, he said.

Wolff began with a historical footnote: The San Francisco Hilton, where Connect 98 was being held, was the same place where RealSelect finalized its relationship with the National Association of Realtors.

"After two years, we're still here," Wolff said.

NAR: We're protecting Realtors

New president Millett says other Web sites OK, with proper protections

SAN FRANCISCO -- The President of the National Association of Realtors, which owns a stake in the Internet's largest Web site for home-listings, has denied charges that the powerful trade group is discouraging its 725,000 members from advertising their properties on competing sites.

Instead, said NAR President Sharon Millett, the association is merely trying to ensure that agents and brokers who place their listings on other sites essentially provide the same type of information -- no more, no less -- than the information published on Realtor.com.

NAR is part-owner of RealSelect Inc., the operator of Realtor.com. Although Realtor.com has more than 1.3 million online listings, its position as the nation's largest site for Internet listings is being challenged by Microsoft Corp.'s fast-growing Homeadvisor.com and other online publishers that aren't directly affiliated with NAR.

"We encourage our members to give their listings the broadest exposure possible," Millett said in an exclusive interview with *Inman News Features*. "We are not trying to force them to use Realtor.com, or discourage them from putting their listings on any other site."

Millett, who owns a brokerage firm in Maine, made her comments while attending the Real Estate Connect conference here in San Francisco. The conference, which drew about 1,200 leaders from the real estate and technology industries, concluded on Saturday.

Some online companies and brokerage firms have said that NAR is discouraging its own members from showing their listings on Homeadvisor, Cyberhomes.com and other independent web sites. They note that other sources of online listings have been unable to negotiate the type of comprehensive marketing pact that NAR has with its partly owned RealSelect, and that the association provides special benefits to brokers who agree to place their online listings exclusively on Realtor.com.

Millett said NAR officials "would be happy to talk with any and all" publishers of online listings in an effort to reach an agreement that would help brokers maximize their properties' exposure on the Internet. However, she said, NAR will insist that such pacts "include safeguards to protect real estate consumers and our members" from the dangers of advertising over the 'Net.

"We our not trying to dictate where our members choose to advertise," Millett said. "But a key thing we *are* trying to do is to ensure that there is a level of uniformity in the type of information they provide, regardless of whether the publisher is in the traditional media or on the Internet. Uniformity is needed to protect the consumer, as well as the agent or broker."

For example, Millett said, a broker who puts detailed information about a listing onto the Internet may unknowingly subject the seller to the dangers posed by computer hackers and out-of-town thieves. Or, the seller himself could file an invasion-of-privacy lawsuit against the listing broker "for sharing the seller's privvy information with everyone who has a computer with Internet access," Millett said.

Brokers who supply listing information that has already been reported to a multiple listing service may also subject themselves to litigation concerning MLS copyrights, Millett said.

The pact that NAR has signed with RealSelect addresses such issues, Millett said. "We'd be happy to explore similar arrangements with other companies," she added.

"The Internet can be a great tool for Realtors, buyers and sellers," Millett said. "But part of NAR's job is to prevent people from making mistakes. We don't want them to advertise a listing on the Internet without following some basic rules that will keep them out of trouble."

Dave Myers is a frequent contributor to Inman News Features and author of the nationally syndicated "About Real Estate" column (www.kingfeatures.com)

Which Realtor.com?

New splash page up

As Realtor.com prepares to switch to the new version of its site, a temporary splash page appeared today that asks Web surfers to pick between the old and the new.

RealSelect, the operators of Realtor.com, is nearing the official rollout of the new site, which takes on a step-by-step approach to the home buying process.

The new site, which is organized into the steps Getting Started, Buying, Selling, Offer/Closing, Moving and Owning, was designed through a partnership between RealSelect, Scient and Studio Archetype.

A new Find A Neighborhood feature lets users search areas that meet their personal criteria. Articles and previous neighborhood and home searches can be saved with the site's personal planning tool.

Realtor.com, the official Web site of the National Association of Realtors, recently began offering a "contact a lender" feature on a number of its broker listings.

1999: The "800-pound gorilla" goes public

Realtor.com equity offer

Home listing site gives stock opportunity for exclusivity

A growing number of large independent real estate brokerage firms are signing exclusive home listing agreements with online real estate leader Realtor.com in exchange for an opportunity to own some form of current or future equity in Realtor.com operator RealSelect, Inman News Features has learned.

Dubbed the "broker gold" program, the offer has been dangling before a select group of large broker-owners for weeks now, but recently a number of firms have chosen to accept the offer.

"It was too good for some of these guys to pass up," according to a source close to one of the brokers who decided to sign up with Realtor.com. It puts brokers on the "mezzanine level," as Wall Street describes it, when the firm goes public.

RealSelect spokesman David Rosenblatt declined to comment, adding that it was not company policy to discuss financing issues.

One major East Coast real estate broker is reportedly preparing to pull its listings off all real estate Web sites except Realtor.com in exchange for $40,000 in options or warrants in RealSelect.

The bet is that the $40,000 will turn into Internet gold during the early days of a RealSelect IPO, which is expected to occur this year.

The trade-off for brokers is that their home listings will get less exposure on the Web by limiting it to Realtor.com.

Realtor.com is already the largest home listing service on the Web with about 1.2 million properties for sale, and includes mortgage resources, neighborhood information and other consumer information.

Janssen steps down

Web pioneer to remain on board of RealSelect

With the appointment of former Worldspan executive Mike Buckman as the new president and COO of online listing leader RealSelect, real estate Web pioneer Richard Janssen will step down as president. He will remain on the board of directors of the online realty venture, which is expected to go public in coming months.

Janssen provided the original home listing vision and house search service for the failed Realtor Information Network, which was morphed into Realtor.com when TCI executive Stuart Wolff rescued the venture in late 1996.

Realtor.com is the official Internet site of the National Association of Realtors.

"Richard and I co-founded RealSelect and I want to personally thank him for his key role in creating and building [the company] and am pleased that he will remain active in the company," Wolff said.

Buckman promises to bring to RealSelect "a depth of technology and management experience," according to a company announcement.

Janssen said, "I am very proud of what we have built at RealSelect and in the online real estate industry and I am looking forward to continue working in my new role to help grow" the company.

CEO Wolff well compensated

Former IBM engineer nets hundreds of thousands of shares in IPO

The Initial Public Offering filing today with the U.S. Securities and Exchange Commission gives a first-time opportunity to view the salary, benefits and stock options of key executives of HomeStore.com, the new umbrella corporation that includes RealSelect.

As chairman and CEO of the new HomeStore.com, Stuart H. Wolff is well compensated with salary, bonus, and stock options. Wolff's compensation package is comparable to other high-tech industry executives, although initial analysis indicates he is on the upper end of the scale.

Under a contract signed last August, Wolff entered into a three-year employment agreement with an initial base salary equal to $200,000 a year. He is also eligible to receive an annual bonus of 100 percent of his base salary. The agreement said the salary and bonus can be increased by the HomeStore.com board of directors each year.

Wolff has already exercised options on 269,658 shares of stock with a market value of $724,519 as of Dec. 31, 1998. Additionally, he has un-exercised options on 57,052 vested shares and 611,526 unvested shares. The unvested shares would revert to HomeStore.com if Wolff left the company before exercising his options.

The SEC filing also revealed that Wolff was loaned $300,000 by the RealSelect board to exercise stock options he held, or was to be granted, at the time of the agreement. The loan must be repaid within 180 days of when his employment terminates or as he sells the shares of common stock he acquired when he exercised his stock options.

The loan is a full recourse loan and collateralized by shares of common stock in HomeStore.com.

Wolff also receives an automobile and cellular phone allowance of up to $4,800 per year.

The filing says that if Wolff's employment is terminated without cause or if he Wolff resigns for "good reason," he will be entitled to receive an amount equal to his annual base salary and his stock options will continue to vest for another 12 months.

The lengthy SEC filing by Homestore.com said, "Our future success depends to a significant extent on the continued services of our senior management and other key personnel, particularly Stuart H. Wolff, Ph.D. The loss of the services of Dr. Wolff or other key employees would likely have a significantly detrimental effect on our business. We have no employment agreements that prevent any of our key personnel from terminating their employment at any time."

Wolff, 36, joined RealSelect, HomeStore.com's predecessor, in November 1996, as chairman and CEO. From 1994 to 1996, Wolff was vice president of business services at TCI Interactive. Prior to TCI Communications, Wolff was an engineer at IBM and a research scientist at AT&T Bell Labs.

RealSelect's IPO - finally

Company changes name, seeks $100M in stock offering

Months of speculation ended late Friday afternoon, before a big weekend, with big news as online real estate leader RealSelect finally filed its initial public offering with the U.S. Securities and Exchange Commission.

"People certainly are talking," David Rosenblatt, HomeStore.com (formerly RealSelect) vice president of marketing, said late Friday. He noted that earlier reports indicated an IPO would happen during January, February, March and April.

"The Board of directors saw (now) as appropriate at this stage of development," Rosenblatt said. "We've gotten to the point where we have a successful, well-trafficked real estate Web site and we want to continue offering a great Web site for Realtors and consumers."

He declined to comment on previous IPO reports and which factors contributed to today's decision. But RealSelect only days ago signed a definitive merger agreement with rental-listings giant SpringStreet.com, creating a massive entity of all types of property listings. The merger was an all-stock transaction.

The SEC documents indicated the company, which operates Realtor.com, the official Web site of the National Association of Realtors, plans to raise $100 million in its first-ever public sale of common stock. RealSelect also changed its name to HomeStore.com.

Homestore.com officials said the name change idea was a marketing decision.

"We wanted to make sure we had a company name more recognizable than NetSelect," said Rosenblatt. "We think (HomeStore) better describes what we have to offer."

The Thousand Oaks, Calif.-based company plans to trade on Nasdaq under the stock symbol HOMS. The amount of stock to be offered wasn't disclosed.

HomeStore officials declined to estimate what the initial selling price might be, but companies typically amend SEC filings to later include such figures.

The offerings will be made through Morgan Stanley Dean Witter, Donaldson Lufkin & Jenrette, Merrill Lynch & Co. and BancBoston Robertson Stephens.

Proceeds will be used for general corporate purposes such as capital expenditures and working capital.

The Web domain "homestore.com" was, as of late Friday, registered to Tucker, Ga.-based ILS Inc., with David Buechner listed as an administrative contact, according to Network Solutions, the official Web site registration organization. It also lists HomeStore as a futon shop.

The HomeStore.com family of sites covers a huge amount of various property listings, including:

- Realtor.com -- one the most visited real-estate site on the Internet, with almost 1.3 million home listings from more than 600 regions in the U.S. and Canada.
- HomeBuilder.com -- the web's leading provider of information on newly built homes, with listings for more than 100,000 new homes and planned developments throughout the U.S.
- SpringStreet.com -- with more than 6 million rental units in 6,000 cities nationwide.
- CommercialSource.com -- the official commercial real estate site of NAR.

The HomeStore Web site lists RE/MAX, Prudential Real Estate, and Cendant Corp. brands Century-21, ERA and Coldwell Banker as companies it provides real estate services for and a dozen portals it has relationships with.

Who owns HomeStore.com?

Big mortgage lenders - GE and Fannie Mae - have huge stake

Realtor.com is often synonymous with the National Association of Realtors but the mortgage industry plays a major role with HomeStore.com, the name of the company which was once RealSelect and operates the home-listing site Realtor.com.

Indeed, mortgage leaders Fannie Mae and GE Capital both have representatives on the 8-member board of directors, compared to one representative from the National Assn. of Realtors, according to the S-1 filed yesterday by HomeStore.com. Plus, GE and Fannie together own 12.8 percent of the entity compared to NAR’s 9.9 percent stake, according to Friday’s filing. However, NAR may be entitled to more shares, according to the 837-page document released yesterday.

GE owns 1.53 million shares, representing 8.3 percent while Fannie owns 833,334 shares or 4.5 percent.

The NAR representative on the board is former Grubb & Ellis and former Coldwell Banker executive Joe Hanauer; his Ingleside Interests investment company owns 214,752 shares of HomeStore.com, according to the S-1.

Sitting on the HomeStore.com board from Fannie Mae is IT executive William Kelvie and representing GE is James G. Brown, a senior vice president of the private investment unit of the sprawling product and financial services firm.

Other principal stockholders include venture capital firms Kleiner Perkins Caufield & Byers with a 18.4 percent stake and Whitney Equity Partners with 11.6 percent.

HomeStore.com co-founder Stuart Wolff holds a 6.6 percent stake and co-founder Richard Janssen has 3.8 percent of the venture.

Taking stock

The principal shareholders of HomeStore.com

The chart and footnotes below are taken directly from the S-1 filed with the Securities and Exchange Commission on Friday.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering	Percentage of Shares Beneficially Owned
L. John Doerr (1) Kleiner Perkins Caufield & Byers	3,377,674	18.4%
Michael C. Brooks (2) Whitney Equity Partners, L.P.	2,126,652	11.6%
Joe F. Hanauer (3)(4) Ingleside Interests, L.P.	2,025,008	11.0%
National Association of REALTORS (4)	1,810,256	9.9%
James G. Brown (5) General Electric Capital Corporation	1,530,720	8.3%
Stuart H. Wolff, Ph.D. (6)	1,220,236	6.6%
Daniel A. Koch (7) Independent Consultants, Inc.	1,086,292	5.9%
William E. Kelvie (8) Fannie Mae	833,334	4.5%
Richard R. Janssen (9)	699,190	3.8%
Kenneth K. Klein (10) National Association of Home Builders	226,576	1.2%
Peter B. Tafeen (11)	203,750	1.1%
John M. Giesecke, Jr. (12)	150,000	<1.0%
All 14 directors and executive officers as a group (13)	12,943,143	67.9%

(1) Represents 3,112,862 shares held by Kleiner Perkins Caufield & Byers VIII, 180,372 shares held by KPCB VIII Founders Fund and 84,440 shares held by KPCB Information Sciences Zaibatsu Fund II. L. John Doerr is a general partner of the general partner of these funds. Mr. Doerr disclaims beneficial ownership of shares held by these entities except to the extent of his pecuniary interest in these entities. The address of Kleiner Perkins Caufield & Byers and Mr. Doerr is 2750 Sand Hill Road, Menlo Park, CA 94025.

(2) Represents 2,126,652 shares held by Whitney Equity Partners, L.P. Michael C. Brooks is a managing member of the general partner of this fund. Mr. Brooks disclaims beneficial ownership of shares held by this entity except to the extent of his pecuniary interest in these entities. The address of Whitney Equity Partners, L.P. is 177 Broad Street, Stamford, CT 06901.

(3) Includes 1,810,256 shares held by the NAR, of which Mr. Hanauer is a member of the Executive Committees. Mr. Hanauer disclaims beneficial ownership of shares held by this association. Also includes 214,752 shares held by Ingleside Interests, L.P. Mr. Hanauer is a general partner of this entity. Mr. Hanauer disclaims beneficial ownership of shares held by this entity except to the extent of his pecuniary interest in this entity. The address for the NAR is 430 North Michigan Avenue, Chicago, IL 60611.

(4) Includes 75,000 shares to be issued to the NAR prior to the closing of this offering.

(5) Represents shares held by GE Capital. Mr. Brown is Senior Vice President and Industry Leader with GE Equity, the private investing arm of GE Capital. Mr. Brown disclaims beneficial ownership of these shares. The address of General Electric Capital Corporation is 120 Long Ridge Road, Stamford, CT 06927.

(6) Includes 546,970 shares that are subject to our right to repurchase these shares. This right of repurchase lapses with respect to 21,520 shares per month.

(7) Includes 66,694 shares held by Independent Consultants, Inc., of which Mr. Koch is Chief Executive Officer. Mr. Koch disclaims beneficial ownership of shares held by this entity except to the extent of his pecuniary interest in this entity. The address of Daniel A. Koch is 12905 Lafayette Ave., Omaha NE 68154.

(8) Represents shares held by Fannie Mae. Mr. Kelvie is the Chief Information Officer of Fannie Mae. Mr. Kelvie disclaims beneficial ownership of any shares held by Fannie Mae.

(9) Includes 87,058 shares subject to options exercisable through May 31, 1999.

(10) Represents 226,576 shares held by the NAHB, of which Mr. Klein is a member of the Executive Committee. Mr. Klein disclaims beneficial ownership of all shares held by this association.

(11) Includes 150,000 shares held by Mr. Tafeen, of which 105,625 are subject to our right to repurchase these shares. This right of repurchase lapses with respect to 3,125 shares per month. Also includes 53,750 shares subject to options granted on April 22, 1999 and exercisable before May 31, 1999.

(12) Represents 150,000 shares subject to options exercisable before May 31, 1999.

(13) Includes the shares beneficially owned by the persons and entities described in footnotes (1)-(6) and (8)-(11). Also includes an additional 550,000 shares, 300,000 of which are shares held by other officers and 250,000 of which are shares subject to options held by those other officers that are exercisable before May 31, 1999.

NAR's hold on RealSelect

Firm needs approvals from Realtor group

When the National Association of Realtors chose RealSelect as the company that would represent the group on the Internet, there were plenty of strings attached.

In fact, to protect Realtors' interest and data, RealSelect had to agree to an almost vice-like grip on its future by NAR, whose influence affected even the data provider's proposed merger with online rental listing site SpringStreet, according to documents filed with the Securities and Exchange Commission.

Under the name of a new company, Homestore.com, RealSelect officials filed papers with the SEC Friday for a $100 million public offering.

Among the conditions of the NAR-RealSelect arrangement:

- NAR can cancel the agreement at any time for a number of reasons, including a change in control at RealSelect or a "substantial decrease" among listings on Realtor.com. But unless NAR breaches the contract, there are no provisions for RealSelect to terminate its agreement with the industry group.

- RealSelect must make royalty payments to NAR and the MLS boards that provide data to Realtor.com.

- RealSelect is restricted from the type and subject matter of advertisements placed on Realtor.com and NAR may review, approve and request changes to Realtor.com pages.

- RealSelect "may be restricted" from creating additional Web sites or perform other services relating to "displaying real property advertisements in electronic form."

- Realtor.com can only enter into listing agreements with MLS on terms approved by NAR and NAR can require RealSelect to include NAR-developed content on Realtor.com.
- Because NAR jointly owns Realtor.com software, if the agreement with RealSelect is terminated, NAR gets a copy of the software along with all RealSelect's MLS agreements so that NAR could operate the site itself or get a third party to do it.

- Because of "noncompetitive provisions" in the contract, RealSelect had to get NAR's consent before launching its HomeBuilder.com and CommercialSource.com Web sites, as well RealSelect's pending acquisition of SpringStreet.

- RealSelect cannot pledge its assets or change its executive officers without the approval of at least one NAR board member. In fact, RealSelect's agreement with the National Association of Home Builders to operate the HomeBuilder.com site contains restrictions as well.

- Regarding RealSelect's agreement with SpringStreet, NAR's restrictions included that listings for rental units of smaller non-apartment properties must be received from a Realtor or Realtor-controlled MLS in order to be listed on the Web site.
- RealSelect cannot amend the purpose of the Realtor.com Web site without the consent of six of the seven RealSelect board members, two of which are representatives of NAR.

However, while NAR retains a strong hold on the future of Realtor.com, its influence on RealSelect's parent company, HomeStore.com, is not as strong. NAR retains two spots on the RealSelect board of directors, but only gets one spot on the board of HomeStore.com.

MLS and IPO fever

Boards took RealSelect offer

As previously reported on Inman News, RealSelect did indeed issue warrants to MLS boards who entered preferred agreements with the operator of Realtor.com—and a number of execs took them up on it.

During 1998 and 1999, HomeStore.com—then known as RealSelect—issued warrants to buy up to 83,752 shares of common stock to MLS groups, according to documents filed with the Securities and Exchange Commission. HomeStore.com's S-1 filing says warrants for another 494,538 shares are planned for MLS organizations.

In February, the company closed a private equity offering and issued warrants to buy up to 143,326 shares of common stock to real estate brokers who signed up under RealSelect's Broker Gold program. Under the program, brokers agreed to use Realtor.com as their exclusive national listing provider, preventing them from distributing their listings to other national sites such as HomeAdvisor or HomeSeekers. Another 170,000 are planned for exclusive listing deals with brokers.

Although the board and broker names weren't provided, the SEC filings provide proof that RealSelect offered its stock in order to secure exclusive listing arrangements with its data providers.

This strategy has been criticized for restricting exposure for seller's homes. But perhaps considering the high-flying Web IPOs during the last year, the stock temptation proved too much for some Realtor boards and brokers to resist.

All told, HomeStore.com has "exclusive" listing deals in Boston, Cleveland, Dallas, Denver, Long Island, Philadelphia, Pittsburgh and St. Louis and "preferred" deals in Chicago, Detroit, parts of Los Angeles, New York City and Washington, D.C., according to its filing.

Perspective

RealSelect's Friday 4:59

In journalism circles, there is a type of memo known as the "The Friday 4:59."

When it's time to announce bad or controversial news, or even news that involves a sense of insecurity over public response, the ensuing memo or press release will hit the fax machine near 5 p.m. on Friday to mute reaction.

Anyone who can answer questions about the memo is usually gone by the time the message reaches its destination. In such cases, media outlets are usually hog-tied from trying to report anything other than a company's or agency's own spin until Monday -- even if they manage to grab a spokesperson or company official before they snatch up their briefcases and bolt for the door.

Such was the strategy taken by RealSelect, the operator of Realtor.com for the National Associtoin of Realtors, when letting out word of its planned IPO.

An IPO, after all, requires filing an S-1 form with the U.S. Securities and Exchange Commission. Due to reporting regulations, S-1 forms carry revelations from deep within any company's treasure trove of secrets, often attracting the sniffing nose of media, competitors, potential investors and the curious.

Perhaps such firms are shy -- like 6th-grade boys at a school dance -- about these sorts of revelations. They fear the release of their corporate strategies, financial records, investors' information, long-range plans, organizational structures and a host of Pandora's-box trinkets will spill into the street of public domain.

At Inman News, our ears had been perked for some time regarding the long-awaited IPO from RealSelect, now a subsidiary of HomeStore.com. It is arguably the online real estate story of the year.

But as the clocks rolled into the late afternoon last Friday, a traditional tactic, implemented by government and business officials from Fortune 500 companies to small town police chiefs, was played out.

HomeStore.com issued the ultimate "Friday 4:59," waiting until the Friday before Memorial Day weekend to make their announcement. No one would be around to field calls, newsrooms would be ill-prepared to report the story, and it was unlikely that anyone would be around to read it. The announcement was also vaguely concealed by the new name, HomeStore.com.

To his credit, HomeStore.com vice president David Rosenblatt did indeed take a phone call regarding the announcement. In the end, however, HomeStore.com's "Friday 4:59" was a successful ploy, as there has been limited play of company's IPO plans in major media.

And for journalists, a tradition continues.

Realtors' IPO shot

Agents can buy HomeStore stock through special program

HomeStore.com Inc., the new parent company of RealSelect, is offering Realtors the chance to get in on its planned IPO through a special Directed Shares Program.

Details are to be made available today at noon on OneRealtorPlace, a members-only site of the National Association of Realtors.

A limited number of shares are available through the Directed Shares Program, which is being offered though Morgan Stanley Dean Witter. If interest in the program grows, HomeStore.com will use a random lottery process conducted by an independent auditor to select additional participants.

The number of shares offered to each Realtor will be determined by HomeStore.com at a future date, but will likely be between 50 to 100 shares each. The program is available to NAR members only. Selected participants will be contacted by e-mail with further details on how to participate.

The period during which Realtors can indicate their interest to participate begins today and ends Friday, July 2 at noon.

Two weeks ago, HomeStore.com announced its plans to raise $100 million in its first-ever public sale of common stock. NetSelect, the holding company for RealSelect, changed its name to HomeStore.com following the announcement.

RealSelect operates Realtor.com for NAR. Realtor.com is the largest home listing site on the Internet with about 1.3 million properties for sale.

Two realty giants clash

HomeStore.com responds to Cendant lawsuit

Competition in the online realty space has been brewing for some time, but a showdown between two real estate industry giants could get ugly -- and possibly change the face of online real estate services.

Cendant, a true residential real estate industry behemoth that operates the Century-21, Coldwell Banker and ERA brands, claims a seminal agreement with RealSelect Inc. (now a subsidiary of HomeStore.com) signed last year didn't result in an as-promised equity offer in the upcoming HomeStore.com IPO.

HomeStore.com declined to comment specifically to *Inman News* regarding the lawsuit, but a spokesman said it appeared "without merit."

But a $300 million lawsuit filed in New York State Supreme Court this morning may be only partially about sour grapes. In fact, a battle has reportedly been brewing between the two giants ever since Cendant announced it would launch its own "real estate super site" on the Web.

The new site is being led by Jed Katz and Phil Marcus, the duo who founded Web apartment search service Rent Net, now a Cendant subsidiary.

"It's pretty clear to me that they were on a direct collision course with Realtor.com," said Gregg Larson, an MLS industry consultant who recently became Business Development & Industry Relations Chief for Homebid.com, which holds real-time auctions of residential properties on the Web. Realtor.com, operated by RealSelect, is the official home listing site of the National Association of Realtors.

Larsen added that he "wouldn't be surprised" if there were two main online real estate sites by next year -- Realtor.com, or HomeStore.com, and the Cendant site.

The lawsuit apparently came as a surprise to HomeStore.com, which recently filed papers with the U.S. Securities and Exchange Commission to become a publicly-traded company.

"From what we've read in published reports, the lawsuit is without merit," said Jeff Charney, vice-president of corporate communications at HomeStore.com. "And we plan to defend our position vigorously. We value and stand behind all of our partnerships. We've had productive partnerships and will continue to have productive partnerships."

Charney declined further comment.

Cendant officials, though, have taken a different tack, calling the lawsuit a last resort.

"We are extremely disappointed and frustrated with HomeStore.com's conduct and have filed an action we believe is necessary to protect rights of Cendant shareholders," said Richard Smith, chairman of Cendant's real estate division.

Some sources close to Cendant were even more vitriolic in describing HomeStore.com's dealings.

"It's like spitting at someone in the face," said one source, who contended that the Cendant deal was what got the ball rolling to attract all the other companies that have since become involved with HomeStore.com.

While details of its planned real estate portal remain under wraps, Cendant has been quietly asking members of its real estate franchises to hold off from joining programs offered by other online real estate sites -- ranging from HomeAdvisor, HomeSeekers.com to HomeBid.com -- until their "super site" is launched.

The lawsuit perhaps couldn't have come at a worse time for HomeStore.com, whose public offering is expected to debut as early as next week. Because HomeStore.com is arguably the largest online real estate firm, how it fares on Wall Street could impact the rest of the category as a growing number of other players are planning public offerings.

Industry and company sources questioned the timing of Cendant's lawsuit -- so close to HomeStore's IPO -- and thought the suit merely a stab by a competitor or an attempt to leverage some kind of agreement.

In recent months, HomeStore.com has been offering stock warrants to both members of the National Association of Realtors and members of RealSelect's "Broker Gold" program, under which multiple listing services agree to use Realtor.com as their only nationwide listing site. Critics of the offer say it denies home sellers maximum exposure for their homes for sale by keeping those homes off other national sites, such as Cyberhomes, HomeSeekers.com and HomeAdvisor.

According to Cendant, RealSelect made a written commitment to "use reasonable good faith efforts to design an equity participation in RealSelect for Cendant prior to RealSelect's initial public offering, with a target valuation of $7 million." Cendant said it relied upon the commitment when it entered a listing license agreement and other agreements with RealSelect in June 1998.

That listing-licensing agreement -- a likely HomeStore.com strategy to keep other sites from gaining listings ground -- made up between 20 percent and 30 percent of Realtor.com's total listings, according to Cendant officials.

Because Cendant is a franchiser, some industry sources have questioned whether the company could force its brands to deliver listings. For its part, however, Cendant says it has spent the past 13 months pursuing equity participation in HomeStore.com, but to no avail.

While Cendant has generally been considered the "Big Daddy" of real estate by some, it has spent the past year recuperating from bookkeeping errors found in its former CUC International division. In contrast, HomeStore.com and it's more than 1.3 million residential listings, 100,000 new homes and millions of rental listings, is one of the new powers in real estate.

The lawsuit, according to some industry sources, could boil down to market capitalization. A $1 billion company might sweat and heave over a $300 million loss, while a $5 billion company -- a possible post-IPO HomeStore.com valuation -- could take some shots but weather such a financial storm.

Few details were released when the Cendant agreement with RealSelect was initially announced, but *Inman News* later learned that RealSelect paid Cendant at least $11.5 million as part of the agreement. At the time, RealSelect and Cendant were said to be working together to create bundled products that included elements from both Realtor.com and all three Web sites operated by Cendant's realty brands.

RealSelect's primary business is selling Web pages to real estate brokers and agents. Through the alliance, Cendant claimed brokers would get great values for Web design, site hosting and site maintenance packages while increasing their Web exposure for no cost.

In its lawsuit, Cendant claims RealSelect initially made only a partial payment, promising the rest in an equity participation.

"We want you and your listings to appear wherever consumers are most likely to look," Cendant said in a Q & A to its members following the RealSelect agreement. "That is the essence of Cendant's Internet strategy, and the reason it has decided to ally with RealSelect and potentially others."

Cendant vs. HomeStore.com details

RealSelect repeatedly put off promise, suit claims

A lawsuit filed by Cendant Corp. against HomeStore.com and its subsidiary, RealSelect, revealed several new details about agreements made between both firms last year and HomeStore.com's IPO strategy.

In the suit, which was filed in the Supreme Court of the State of New York on Wednesday, Cendant claims that it was promised an equity participation in HomeStore.com last year which never materialized.

According to the lawsuit, Cendant last June entered into several agreements with RealSelect which, with certain exceptions, granted the home listing company exclusive third party rights to display the home listings from Cendant franchises -- which include Coldwell Banker, ERA and Century 21 -- on the Web.

RealSelect operates both Realtor.com for the National Association of Realtors and Homebuilder.com, a new homes site sponsored by the National Association of Home Builders.

At the time it was made, the agreement "would significantly enhance RealSelect's credibility and establish it as a leader in its field," according to the suit.

Cendant also claims its affiliation with RealSelect would boast its stock value after an IPO. The real estate giant is suing for damages in excess of $300 million, which it claimed would be the value of its equity investment after a successful HomeStore.com IPO.

According to the suit, RealSelect "was unable to compensate Cendant in cash for the full value of the rights it would be receiving from Cendant," and offered to pay part of the total agreed-upon price through an equity participation in the company. That participation was to have a value of $7 million. Cendant agreed, the suit claims.

RealSelect "repeatedly" assured Parsippany, N.J.-based Cendant that an equity participation was forthcoming and did so as recently as May 27, 1999, the suit claims -- but it never happened.

The lawsuit also unveiled more details about the year-old agreements between Cendant and RealSelect, which is now a subsidiary of Thousand Oaks, Calif.-based HomeStore.com.

According to the suit, RealSelect approached Cendant to secure the exclusive right to display home listings for new and existing properties throughout Cendant's franchise system on Realtor.com. Apparently, RealSelect was aware that a "potential competitor" of theirs was already discussing a similar arrangement with Cendant -- though the suit does not identify this party.

According to HomeStore.com's preliminary prospectus issued earlier this month, the company began seeking equity financing in August 1998 and provided equity participation in the firm to several venture capital funds and other investors -- but not Cendant, the suit claims.

The suit does disclose that RealSelect in April 1999 offered certain Cendant executives a "personal opportunity" to participate in its eventual IPO. However, the offer was not made to Cendant itself, and the executives turned down the offer "as inappropriate."

Along with damages, Cendant is requesting an order requiring RealSelect to negotiate an equity participation for Cendant and holding off on the IPO until negotiations have completed.

Jeff Charney, vice-president of corporate communications at HomeStore, said HomeStore officials have yet to read the lawsuit and couldn’t comment on specifics, yet the company is planning to "defend our position vigorously."

"From what we’ve read in published reports, the lawsuit is without merit," he said.

Cendant sues HomeStore.com

Says it was denied equity participation

Cendant Corp., which owns the franchise brands for three of the largest real estate companies in the U.S., is suing HomeStore.com and its subsidiary, RealSelect, over Cendant being excluded from an equity participation in HomeStore.com's planned public offering.

Cendant said it filed suit in New York State Supreme Court for $300 million in damages resulting from HomeStore.com's alleged breach of a contractual agreement.

RealSelect operates Realtor.com, the largest home-listing site on the Web, for the National Association of Realtors. Cendant owns the Century 21, Coldwell Banker and ERA real estate franchise brands.

According to Cendant, RealSelect made a written commitment to "Use reasonable good faith efforts to design an equity participation in RealSelect for Cendant prior to RealSelect's initial public offering, with a target valuation of $7 million."

Cendant relied upon the agreement when it entered a listing license agreement and other agreements with RealSelect. Cendant said it would not have granted exclusive third-party use of "Cendant listing data" had it not been for the equity participation commitment. RealSelect, Cendant said, "benefited tremendously" from the commitment.

Since the commitment was allegedly made, NetSelect, the holding company for RealSelect, changed its name to HomeStore.com and has filed with the U.S. Securities and Exchange Commission for an initial public offering.

Cendant says it has spent the past 13 months pursuing equity participation in HomeStore.com to no avail.

In a press release, Cendant claims that RealSelect "fraudulently induced Cendant to enter into the agreements that dramatically increased the value of HomeStore.com.

Cendant claims the amount it would have received through the agreements, made last year, would be worth about $56 million currently and possibly more than $300 million after HomeStore.com's IPO.

HomeStore.com launches iLEAD

Product upgrades old SIMPLE line

HomeStore.com has developed a new, online lead generation system for real estate agents to succeed its original product, Agent SIMPLE.

The new system, dubbed iLEAD, includes customized, multi-page Web sites under different packages. Real estate agents can use the tool to enhance their listings on Realtor.com with photos and additional home descriptions. The product line also includes personal URLs, animated messages, and featured homes. If requested, iLEAD Web site link will be provided to each of the agent's listings on Realtor.com.

HomeStore.com is the parent company of RealSelect, which operates Realtor.com for the National Association of Realtors.

Selling Web pages to real estate agents and brokers is Realtor.com's primary revenue model, although HomeSeekers.com and HomeAdvisor, two other home listing sites that compete with Realtor.com, have recently offered Web pages for free.

For new customers, RealSelect is offering a basic, three-page iLEAD site for $349, while the fully-loaded, nine-page version goes for $829. Agent Simple customers can upgrade to the three-page iLEAD product for free, and to the nine-page version for $299.

"The real estate community has become Internet-savvy very quickly, and when we listened to our customers, they wanted us to take our SIMPLE line to the next level," said Stuart Wolff, HomeStore.com chairman and CEO.

Realtors weigh in

HomeStore.com, NAR respond to Cendant suit

HomeStore.com and the National Association of Realtors today weighed in on a $300 million lawsuit filed by Cendant against RealSelect, which operates the mega-home listing site Realtor.com for NAR.

Cendant Corp. yesterday announced that it has filed suit against HomeStore.com Inc., RealSelect's parent company, and RealSelect in New York State Supreme Court, claiming RealSelect promised Cendant an equity participation in its initial public offering and never delivered on that promise.

Cendant, whose real estate division operates the Century 21, Coldwell Banker, and ERA franchises, claims RealSelect made a commitment to provide Cendant with an equity offer as part of a series of agreements between the two companies made last year.

Cendant estimates that its damages and the benefits Homestore.com derived from the alleged actions could exceed $300 million after a successful HomeStore.com IPO.

In a statement to its members, NAR indicated a quick resolution to the suit was in everybody's best interest.

"Both parties in this unfortunate action provide valuable services and resources to our members and consumers," the statement said. "NAR has been extremely pleased with the performance of RealSelect Inc., our Web site operator."

"We hope this disagreement will be settled quickly and amicably, so that both Cendant and RealSelect can move ahead with the business of serving our members and the public," NAR said.
HomeStore.com also released a new yet limited statement regarding the suit.
"We haven't seen a copy of the complaint filed by Cendant yesterday and it isn't our company policy to comment on the specifics of pending litigation," HomeStore.com said in a statement today. "However, from what we understand from published news reports, we believe Cendant's allegations are without merit and we intend to defend our position vigorously."

HomeStore considering countersuit

Still no official response to Cendant claims

HomeStore.com, the parent company of RealSelect, the operator of Realtor.com, is considering whether to file a counterclaim against Cendant, which is suing the real estate information provider for $300 million.

The prospect of a counterclaim was revealed in a S-1/A filing filed by HomeStore.com today with the U.S. Securities and Exchange Commission.

Cendant Corp. last week filed suit against HomeStore.com and RealSelect in New York State Supreme Court, claiming RealSelect promised Cendant an equity participation in its initial public offering and never delivered on that promise.

Cendant claims the equity offer was made as part of a series of agreements between it and RealSelect made in June 1998. Cendant estimates that its damages and the benefits Homestore.com derived from the alleged actions could exceed $300 million after a successful HomeStore.com IPO.

In today's filing with the SEC, HomeStore.com said it has not filed an answer to Cendant's complaint but intends to do so within 30 days.

"We believe that we have valid defenses to these claims and we intend to vigorously defend this lawsuit," HomeStore.com said in today's filing. "We are also considering bringing counterclaims against Cendant."

HomeStore.com said last week it has not seen the suit but based on published reports, believed it is "without merit."

According to the filing, HomeStore.com said that even if it prevails in court, the costs could be significant "particularly in a jurisdiction such as New York that is geographically distant from our headquarters." HomeStore.com is located in Thousand Oaks, Calif.

In its filing, HomeStore.com said it received the right to obtain home listings from Cendant through its real estate brokerage franchises, but HomeStore.com already receives all its property listings through multiple listing services through separate listing agreements.

HomeStore.com said Cendant claims to have 200,000 agents who are affiliated with its franchises, which include Century-21, Coldwell Banker and ERA, but does not believe Cendant has direct control over how these entities display or license their listings, the company stated in its SEC filing.

RealSelect operates Realtor.com for the National Association of Realtors.

In a statement to its members last week, NAR indicated a quick resolution to the suit was in everybody's best interest.

"Both parties in this unfortunate action provide valuable services and resources to our members and consumers," the statement said. "NAR has been extremely pleased with the performance of RealSelect Inc., our Web site operator."

HomeStore.com ups price

Doubles from previous estimate, IPO still scheduled for tomorrow

Will the HomeStore.com IPO fly?

Amid conjecture from some Internet analysts that the Web home listing provider could stumble in its Wall Street debut, the company has boldly doubled is estimated stock price from between $8-10 to $18-20.

HomeStore.com's price change was reported in an amended filing with the Securities and Exchange Commission.

Both HomeStore.com and Interactive Pictures Corp., a 360-degree virtual tour provider, are scheduled to price Thursday. Interactive Pictures has raised its estimated price range from $12-14, to $16-18 per share.

Cendant Corp. last week filed suit against HomeStore.com and RealSelect in New York State Supreme Court, claiming RealSelect promised Cendant an equity participation in its initial public offering and never delivered on that promise.

Cendant claims the equity offer was made as part of a series of agreements between it and RealSelect made in June 1998. Cendant estimates that its damages and the benefits Homestore.com derived from the alleged actions could exceed $300 million after a successful HomeStore.com IPO.

Reuters reported yesterday that the lawsuit may have dented HomeStore.com's IPO hopes, but the higher price would seem to reflect a more optimistic outlook from the online realty giant.

HomeStore.com plans to issue 7 million shares through lead underwriter Morgan Stanley.

A modest IPO

HomeStore.com fails to explode

With a modest opening gain, you can't really say HomeStore.com's IPO was a failure. But to many online realty professionals and industry observers, it may have been.

HomeStore.com gained a modest 15 percent by the end of its first day of trading to finish at $22 3/4 per share. The company's stock opened the day priced at $20 per share.

HomeStore.com dominates its market -- online real estate listings -- unlike few other e-commerce firms in their sectors. HomeStore.com operates such category-leading Web sites Realtor.com, HomeBuilder.com and SpringStreet.

Today's gains weren't bad, considering a recent slump in Web IPOs and a Cendant Corp. lawsuit that some believed would damage the firm's IPO. But the results weren't great, either. Many of the firm's supporters believed HomeStore.com stock would surely double and possibly triple in value.

HomeStore.com had losses of $50 million, or 89 cents per share, on revenues of $21.4 million during the first six months of this year, according to filings with the U.S. Securities and Exchange Commission. With today's sale of 7 million shares, the company raised $140 million.

Cendant Corp., the operator of the Century-21, Coldwell Banker and ERA realty brands, recently slapped HomeStore.com with a lawsuit, alleging the firm shortchanged Cendant on a series of agreements made last year by not offering them an equity opportunity in HomeStore.com.

Cendant is suing HomeStore.com and its subsidiary, RealSelect, for up to $300 million in damages. RealSelect operates the Realtor.com Web site for the National Association of Realtors.

Another firm making its entry on Wall Street, Interactive Pictures Corp. (IPIX), hovered near its $18 offering price for most of the day before closing $1 ahead at $19 per share. The firm, based in Oak Ridge, Tenn., produces 360-degree digital images and does business in real estate.

Like HomeStore.com, Interactive Pictures raised its estimated price range just prior to its IPO -- from $12-14 to $16-18 per share -- and priced at the high end of the scale.

HomeStore.com priced at $20 a share, double the firm's early price estimate of $8-10 per share.

HomeStore.com prices at $20

Figure is at high end of estimate

HomeStore.com (HOMS)has apparently shook off a lawsuit from giant realty franchiser Cendant Corp. and defied the pundits by pricing at $20 a share for its Wall Street debut, double the firm's early price estimates.

HomeStore.com initially planned to price stock at between $8 and $10, but amended its S-1 filing with the U.S. Securities and Exchange Commission and doubled its estimated stock price to between $18 and $20.

The National Association of Realtors will own a 6.8-percent share of HomeStore.com after the public offering, according to the most recent amended S-1 filing.

HomeStore.com's subsidiary, RealSelect, operates the home listing Web site Realtor.com for NAR. HomeStore.com's other real estate sites include HomeBuilder.com, SpringStreet and CommercialSource.com.

Cendant, which owns the Century-21, Coldwell Banker and ERA realty brands, alleged in a $300 million lawsuit filed last week that RealSelect shortchanged them on a series of agreements made last year by not offering them an equity opportunity in HomeStore.com.

HomeStore.com has said it plans to show the lawsuit, filed in New York Supreme Court, is without merit.

HomeSeekers.com, the only publicly-traded firm whose focus is on Web home listings, was trading at 6 9/16 per share by mid-day.

HomeSeekers.com claims more than 700,000 home listings online and delivers real estate technologies to industry professionals.

FTC mum on reported probe

Yet HomeStore, NAR face increasing scrutiny for exclusive listing offers

Though federal authorities are keeping quiet on whether they are investigating the business practices of HomeStore.com, as reported in today's *Wall Street Journal*, HomeStore.com's exclusive listing agreements with multiple listing services and real estate brokers are likely to remain under intense scrutiny.

The *Wall Street Journal* reported this morning that HomeStore.com's hotly anticipated IPO debuted Thursday amid brewing controversy over its highly successful property listing service, Realtor.com, the official site of the National Association of Realtors.

Based on "people familiar with the inquiry," the article went on to say that federal antitrust enforcers are reportedly looking into NAR's association with HomeStore.com and whether national and local real-estate boards are trying to prevent Internet competition and protect Realtors' commissions.

Howard Shapiro, spokesman for the Federal Trade Commission, said he could neither confirm nor deny whether any investigation in fact exists. Anyone can call up the FTC and complain about a company, he said, including a disgruntled competitor.

"One of the reasons why the commission does not speak about investigations is to protect the parties involved and the integrity of investigation," Shapiro said. "If the agency has found nothing, then we step back."

The data is king

Ultimately, online property listing providers are playing a high-stakes game of data control, and so far, HomeStore is winning. The company's site, Realtor.com, lists 81 percent of the country's MLS-listed properties, about half of which are exclusive to the site. Exclusive listing agreements, known as Broker Gold and Gold Alliance, were solicited from the country's top MLSs and brokers in exchange for pre-IPO stock options.

According to the company's S-1 filing with the Securities and Exchange Commission, of the approximately 1.47 million homes listed nationally, HomeStore has acquired access to 1.37 million. With all those homes for sale online, Realtor.com is the most-popular Web site among homebuyers according to Media Metrix, a New York-based research group.

But retaining a tight grip on the houses available for sale in the short term, some argue, may eventually backfire. Exclusive listing agreements may also hurt home sellers since they place restrictions on the national marketing of homes for sale.

Russ Bergeron, general manager of Southern California MLS, the third largest MLS in the U.S., says he'll never limit sharing his MLS data with only one national site. He says listing a property with only one site is like advertising a car in only one magazine. "It doesn't make sense," he said.

The brokers who signed up for the exclusive agreements, Bergeron believes, were more focused on personal financial gain from stock options than they were on long-term business planning. "They all think they're going to get rich," he said, and then laughed. "They might, you never know."

But Patricia Bybee of Metrolist in Colorado says her company's decision to sign up with Realtor.com's exclusive program makes all the sense in the world, given the site's huge Internet presence and alliance with NAR.

"Our business philosophy, given that the Internet is this wild, wild, west, is to go with a single national partner," Bybee explained. "If we went with multiple sites, we'd have to keep an eye on them using resources we just don't have." She said pre-IPO stock offerings had no impact on her decision.

Fair or unfair?

Even if it did, according to Gregg Larson, business developer of homebid.com and a former MLS consultant, it wouldn't matter. He says he examined the exclusive contracts carefully when a number of his MLS clients were considering signing up. "By and large, I think Realtor.com has done its homework really well," Larson said.

Because the site offers content, he says, there's nothing wrong with HomeStore placing certain restrictions on that content. "It's just part of the business of buying data," he said.

Besides, Larson added, if competitors like CyberHomes and HomeSeekers really thought the agreements were illegal, they would have sued HomeStore by now. "They wouldn't have just sat there getting kicked for a year," he said.

Saul Klein of consulting firm InternetCrusade, whose past clients include RealSelect and some of its competitors, dismissed the notion that the exclusive listing agreements might constitute an unfair business practice. "I don't see it," he said. "I see it as just one company competing against another."

If HomeStore or NAR are indeed the subject of an investigation, the public may not find out about it until the FTC announces a law enforcement action, if it announces one at all. According to the FTC, investigations have no set time limit; some are wrapped up in only a few weeks, others stretch on indefinitely.

Who owns how much?

NAR's HomeStore.com share worth $100M

Yesterday's HomeStore.com's public offering didn't make anyone a billionaire with a less-than-explosive first day gain of 15 percent per share.

But it did yield smaller fortunes for its major shareholders. Here's what the top stockowners are worth, based on the number of stocks owned multiplied by their Wall Street value of $22 per share:

- Kleiner Perkins, *owns 14.4 percent after the IPO*: $212,876,224
- Whitney Equity Partners, L.P., *owns 7.9 percent*: $116,965,860
- Ingleside Interests, L.P., *owns 7.6 percent*: $111,375,440
- National Association of Realtors, *owns 6.8 percent*: $99,564,080
- GE Capital Corp., *owns 5.7 percent*: $84,189,600
- Stuart Wolff, HomeStore.com CEO, *owns 5.3 percent*: $78,112,980
- Independent Consultants Inc., *owns 4.1 percent*: $59,746,060
- Fannie Mae, *owns 3.1 percent*: $45,833,370
- Richard Janssen, former HomeStore.com president, current board member, *owns 2.6 percent*: $38,455,450

Shares of HomeStore.com dipped slightly during Friday trading to $22 7/16 per share, a 1.37 percent drop from its first-day closing of $22 3/4 per share.

HomeStore.com operates the Realtor.com home listing Web site for the National Association of Realtors, as well as new homes site HomeBuilder.com and rental property site SpringStreet.

HomeStore.com sold 7 million common shares in yesterday's IPO.

The HomeStore.com flop?

Realtors with wild visions of IPO success through HomeStore.com (HOMS) are being brought crashing back to earth by the realities of Wall Street.

Three days of trading may not indicate a long-term trend, but shares of HomeStore.com stock on Monday fell back down to their opening price of $20 per share.

So much for the notion that the Realtor-sponsored venture would become the next Priceline or eBay. Should the stock fall any lower, Realtors and others who bought in at $20 per share will be losing money.

Yet HomeStore.com isn't the only entity in the online realty space with discouraging stock results. Interactive Pictures Corp., which also went public last Thursday, saw its shares fall to $16 1/2 from their initial price of $18.

HomeStore.com initially planned to price stock at between $8 and $10, but amended its S-1 filing with the U.S. Securities and Exchange Commission and doubled its estimated stock price to between $18 and $20.

The National Association of Realtors owns a 6.8-percent share of HomeStore.com, which operates the Realtor.com, HomeBuilder.com, SpringStreet and CommercialSource.com Web sites.

Cendant Corp. (CD) last week filed suit against HomeStore.com in New York State Supreme Court, claiming the company's subsidiary, RealSelect, promised Cendant an equity participation in the HomeStore.com IPO and never delivered. Some analysts predicted the Cendant suit would hurt HomeStore.com's stock performance.

But though HomeStore.com raised its offering prices considerably just prior to its debut, their disappointing showing may not entirely be the company's fault.

A number of Internet companies have been ravaged by the market in recent weeks. After reaching a high of $74 3/8 following its June IPO, online mortgage leader E-LOAN (EELN) has since collapsed to $22 per share. Mortgage portal FiNet.com (FNCM) was all the way back down to $2 1/2 per share on Monday after a high of $18 1/2 per share earlier in the year.

Whether HomeStore.com succeeds in the long term appears just as questionable today as it did before the IPO.

A matter of antitrust

DOJ takes over HomeStore investigation

The U.S. Department of Justice Antitrust Division has taken over the Federal Trade Commission's investigation of HomeStore.com, according to people familiar with the investigation.

Justice Department officials said they were unable to confirm or deny any investigation into HomeStore.com.

HomeStore.com's exclusive property listing agreements with multiple listing services and real estate brokers have been surrounded by a storm of controversy and criticism that only seemed to intensify when the company went public last week.

The company's site, Realtor.com, lists 81 percent of the country's MLS-listed properties, about half of which are exclusive to the site. Exclusive listing agreements, known as Broker Gold and Gold Alliance, were solicited from the country's top MLSs and brokers in exchange for pre-IPO stock options.

Realtor.com is the official site of the National Association of Realtors.

Critics and competitors say the "gold" programs hurt home sellers since they limit the national marketing of homes for sale. Critics also maintain the agreements are anti-competitive.

If the Justice Department finds sufficient grounds in its investigation to proceed, it could seek a civil court order to remedy anti-competitive effects of past violations and forbid future violations.

The Antitrust Division regulates trade and maintains competition by investigating price-fixing conspiracies, corporate mergers "likely to reduce the competitive vigor" of particular markets and so-called predatory acts designed to achieve or maintain monopoly power.

Listing numbers growing

HomeSeekers, HomeAdvisor not too far behind leader

Do we have a listing war again?

First Microsoft's HomeAdvisor team announces the real estate site had 750,000 listings. And not long after, HomeSeekers.com came out with its own figure of listings under contract at 805,000.

"At the current accelerated listing rate, we believe that our goal to achieve the 1 million listing count by the end of 1999 will be achieved," said Gregory L. Costley, HomeSeekers' CEO.

Both HomeSeekers and HomeAdvisor are pretty far below the 1.3 million benchmark set by the National Association of Realtors' site, Realtor.com. And they're fighting an uphill battle in gathering listings due to the exclusive listing agreements being pushed by Realtor.com's parent, HomeStore.com.

But both sites are aggregating listings directly from agents and brokers and have been dangling other nifty treats to the industry, such as free agent and broker Web pages and ISP services.

If their numbers are to be believed, sites seem to be making headway against the Realtor.com giant.

A study conducted earlier this year by Clareity Consulting questioned the listing numbers claimed by the national home listing sites, which include Cyberhomes.

Realtor.com and PictureWorks

Deal brings image management system

PictureWorks Technology Inc. is teaming up with Realtor.com to offer members who use AgentSimple and OfficeSimple services the ability to manage online listings through the use of new web-based imaging software, which allows users to post their own pictures and listings to the Realtor.com Web site.

The two companies will announce this week an agreement allowing Pictureworks to provide imaging technology through their new Rimfire Internet technology. The technology makes it easy for users to add photos and slide-show presentations to their online listing information. Danville, Calif.-based PictureWorks believes having better-looking listings will generate more interest in properties.

"We're trying to simplify it," said Stu Roberson, vice president of marketing for PictureWorks. Rimfire will convert the images to the specifications of the Website, allowing them to go online instantly.

In addition to immediate online posting of pictures and MLS information as one advertising page, the technology will also allow Realtors to send an electronic postcard to clients of a particular property. The postcards will have a picture of the property on one side and the listing information including a Web site link on the other. Clients will not need special software to view the postcard.

Roberson stressed the importance of Rimfire would be users avoiding worries about sizing and formatting of images.

Realtor.com's sales force will bundle the entire product line for customers and sell digital cameras with software. However, pictures for the Website need not be taken with a digital camera. They can be taken with a regular camera, developed and saved to a diskette or CD-ROM, and then loaded into the Realtor.com listing service.

"We're trying to remove the learning process as much as possible," he said.

The announcement comes at a time when it appeared that PictureWorks was losing ground in the real estate imaging business against companies such as Bamboo.com and Interactive Pictures Corp. Roberson, however, said the company is moving in a new direction.

"Pictureworks is transforming itself from being a desktop software company to an Internet software company," said Roberson.

As recently as last year, the company was viewed as a leader in the virtual walk-through arena, where IPIX and Bamboo.com operate. However, that was not an area where PictureWorks wanted to compete. Though Roberson says the technologies are complementary.

"We are not in the 360-degree tour business. They are a service provider. We are providing the infrastructure and background," said Roberson.

Though the company's old software products are still available and there will continue to be uses for them, PictureWorks' new focus is on the new product with Realtor.com

"We're pursuing implementation of Rimfire throughout the Internet," said Roberson. Other applications could include auction websites, insurance companies and personal publishing.

Creating web-enabling software for Internet imaging is a new direction for the company, said Roberson.

"The demand for Internet imaging is growing dramatically," he said. "That's really where the market is moving. Where the big win is, it's owning the infrastructure -- it's not selling a boxed piece of software."

Roberson said PictureWorks is well positioned for the transition.

PictureWorks is a privately-held company established in 1994. It was one of the first companies selling digital cameras and one of the fastest growing companies in the San Francisco Bay Area. Roberson would not say whether the company is turning a profit only that, "we've been in the black many times."

The rumors about Realtor.com

Who gets home pages on NAR's site?

When Realtor Jim Williams initially agreed to pay $199 to put his personalized Web site up at Realtor.com, he thought it was a great idea to promote his business in San Antonio.

But when he discovered last month that Realtor.com, the official Web site of the National Association of Realtors, doesn't limit this option to Realtors only, he became angry.

"I will admit to being very unhappy about it when I heard," he said. "It's the National Association of Realtors, not the National Association of *non*-Realtors."

Sam Valenti, a Realtor who has been practicing for the last 30 years, also thinks the arrangement is unfair, and wishes NAR leadership would communicate more with members so that problems like these get addressed before spinning out of control. "NAR is still mired in an old, Industrial Age style of leadership," he said. "I think they're out of touch with the rank and file real estate agents."

"NAR is still mired in an old, Industrial Age style of leadership…I think they're out of touch with the rank and file real estate agents." -- Sam Valenti, Realtor.

If the big guns at NAR are wondering about the rumors out there, they might want to check out the online discussion group at One Realtor Place. This is the forum where several agents from different locations have been corresponding back and forth about the Web pages and slinging a bit of mud at NAR and its online marketing strategy.

"Let this be the call to arms to dump RealSelect/HomeStore and take control of our data. NAR is not (working for) the collective good will of all its members," wrote one Realtor. "How long will leadership across the country sell us out just to have the spotlight on the national level?"

Karen Fulton, spokesperson for HomeStore.com –the company that owns and operates Realtor.com –said that while the option was available for non-Realtors to purchase home pages, only a tiny fraction ("less than one-tenth of one percent") had actually done so.

"It’s absolutely negligible at best," she said.

She also said the pages would cost non-Realtors $100 more, and their names would not be listed in the site’s Yellow Pages Directory Listing.

None of that matters to Williams, who says he won’t be renewing his Web site with Realtor.com as long as it's open to non-Realtors.

"To me, it’s a fairly black and white issue," he said. "It’s our association, not their association."

Cendant super site coming

Official hesitant to speak, but signs are there

HomeStore.com may have to soon make room at the online real estate "super site" table, as Cendant Corp.'s long-anticipated entry is apparently closer to fruition.

Inman News Features reported as early as May the "super site" would be headed up by Rent Net's Phil Marcus and Jed Katz, and has now learned of an impending announcement regarding the enterprise within the next few weeks.

Katz declined to comment on the super site's name, when it would launch or what kind of timeline the effort is following, or even whether the launch would occur this year. But he did say that San Francisco-based Rent Net has so far registered more than 1,000 domain names with Network Solutions.

A review of some of the domain names reveals many using names beginning with "complete," such as CompleteRealtor.com, CompleteFurnishings.com, CompleteHomeMovings.com, CompleteMortgages.com and CompleteApartments.com, CompleteHomeUtilities.com and CompleteNeighborhoods.com.

Many of the domains are under construction. CompleteHome.com goes to Rent Net's site.

Katz added the super site would include all of Cendant's real estate services and products, including it's three real estate franchises Century-21, ERA and Coldwell Banker; relocation services Cendant Mobility and Rent Net; and CendantMortgage. He didn't say if new services would be added.

Katz cautioned against guessing at what the domain would be.

"There are a lot of domains for different aspects of the site," said Katz. "Guessing what (the super site will be), is probably not a good exercise…all I can say is that it will be a very comprehensive real estate super site. We're very excited and will release the details shortly."

Cendant officials at the company's headquarters in New Jersey declined to comment.

CompleteHome.com is registered to FurnitureSite Inc., of Worcester, Mass.

Sierra Home, formerly owned by Cendant, developed software for consumers' home and quality-of-life-at-home areas, such as home design, cooking, gardening, travel, family tree, publishing. The company used the Complete Home name for some of its products.They included CompleteHome 2.0, which helps homeowners plan home projects through software.

Havas SA, a French firm based in Paris, in November of 1998 purchased Cendant's software division -- made up of Sierra OnLine, Knowledge Adventure, Blizzard Entertainment and Davidson Associates -- for up to $800 million in cash and future cash contingent payments of $200 million through this year.

Cendant -- spawn of the $12 billion merger in 1997 of giant HFS and direct marketers CUC International -- recently filed a $300 million lawsuit against HomeStore over what it considered an ownership equity deal gone bad. Cendant also provided franchise listings to HomeStore.

While Cendant officials are mum on specifics of the coming super site, they may be just the first of challengers to HomeStore's status.

Some suggest Millett resign

NAR president says no conflict of interest, nothing illegal

Revelations that National Association of Realtors executives acquired thousands of shares in Homestore.com have sparked some to call for president Sharon Millett to either resign or take steps to make amends.

At the very least, some NAR members want a full disclosure from NAR's executive leadership team.

The revelations, reported recently by *Inman News*, also caused a flurry of postings in online NAR discussion groups regarding 15,000 Homestore shares Millett acquired and sold.

"My feeling is that NAR, as a trade association, shouldn't allow officers to benefit from their position," said Steve Jacobson, a Washington D.C.-area Realtor and a seven-year member of the NAR's board of directors. "Some people took advantage of their position and bought enough (Homestore) stock for a very nice windfall…(Millett) apparently saw the 'light,' but also saw the profit."

Jacobson, one of roughly 900 members of the NAR board of directors, wants Millett and president-elect Dennis Cronk -- who he said have done an excellent job in leading NAR -- either to resign or return profits by reselling shares to NAR members at the $20 prices. He also wants a full accounting of who within NAR acquired more than the 100 shares per person that Homestore made available at $20 prices to the general membership.

Millett, reached by phone by *Inman News*, refused to answer most questions.

"My response will be directly to the board of directors," said Millett. "I'll only answer one question: We sought an opinion from our general counsel and from outside counsel, and the opinion was there was no conflict of interest. There was nothing illegal."

Millett refused to say whether she would resign or make some form of amends, how much she profited from the stock sale, when she acquired the 15,000 shares, or whether she thought it might conflict with her role as NAR president.

However, an internal NAR report details a possible conflict of interest with the stock sale.

The internal report, distributed to NAR officials and dated Sept. 8, said that Millett "found it difficult having limited participation in discussions and votes at the Leadership team meetings concerning Homestore.com and technology issues because of the conflict her stock ownership caused."

Jacobson, meanwhile, hopes the issue can be resolved quickly.

"We don't need to self-destruct on this issue, but we need to deal with it and clean it up in-house," he said. "I hope it can be handled internally, before we get to Orlando (the annual NAR convention)."

Millett acquired the shares in Homestore at the time of its IPO and later sold all the shares within about 10 days of the Aug. 5 general public offering on Wall Street, according to internal NAR reports. Those same reports also indicated owning a significant amount of shares in HomeStore.com and holding a leadership position at NAR may result in conflicts of interest.

The shares had been acquired at the IPO price of $20 and within 10 days the stock price had climbed above $40 per share. Millett and NAR have yet to say how much profit was generated.

President-elect Dennis Cronk acquired 16,500 shares at the time Millett did. In August Homestore provided him with options on another 15,000 shares, according to NAR reports. The report describes the acquisitions as taking place about the time of the IPO, without mentioning specific dates.

Cronk couldn't be reached for comment.

Other NAR officials have only said that a conflict of interest policy was developed, including full disclosure requirements and abstinence from votes and most discussions where there is conflict of interest. Millett didn't disclose the nature of her shares in Homestore until early September.

Ed Hall, a former board director and past-president of Virginia, sent a letter to the executive leadership team in late July inquiring about Homestore ownership among the team members. He asked for a response by Aug. 2, but the response was in the form of the report to the board.

Picking up extra shares through executive positions didn't sit well with Hall, who also lauds Millett and Cronk for their hard work and service to NAR. He noted that NAR members who bought into the 100-share offering agreed to 180-day embargoes on selling their stock.

"To me, that's a gross mis-use of being a leader," Hall said. "There was plenty of time for disclosure. Here they're talking about this IPO for 12 months…and it took a long time for disclosure…For some reason they were given an opportunity to get more shares than the rest of us. I don't know if it's illegal or even if it's bad business, though."

Hall said he was unaware of how the shares were paid for.

Realtor fury fanned over Millett's Homestore stock profit

Sometimes, something can be legal, yet reek of an awfully fishy ethical predicament.

Case in point: executives at the National Association of Realtors and their thousands of Homestore.com Inc. shares, the sale of such shares days after the IPO and the NAR members who are a bit -- shall we say -- less than pleased.

The call for resignations or amends-making by Steve Jacobson, one of 900 or so members of NAR's of directors, for president Sharon Millett and president-elect Dennis Cronk has evolved into a chorus. NAR members, in e-mails to *Inman News* and at Realtor.com's OneRealtorPlace discussion boards, are demanding Millett make amends or at the very least offer full disclosure of the executive leadership team's interests in Homestore.

Essentially, Millett and Cronk acquired 15,000 and 16,500 shares, respectively, at $20 a share, with Cronk offered options on another 15,000. Millett sold her shares within about 10 days of Homestore's Wall Street opening on Aug. 5 -- which means the stock price may have doubled or even hit the mid-$40 range. Simple math shows a potential $300,000 profit.

Even harsh critics admit Cronk and Millett have performed yeoman service on behalf of NAR's membership. And they may have felt that since everyone else was cashing in on Homestore, why shouldn't they? All Realtors profit from Homestore prominence and many even got in a 100-share stock plan -- albeit with a 180-day lock on selling.

But $300,000 is a whole lot of money, and what rank-and-file NAR member had a similar opportunity? The spilled milk also includes revelations that Millett and Cronk never revealed their interests in Homestore to the board of directors until weeks later.

To their credit, Millett claims in- and out-of-house legal counsel said her stock purchase was perfectly legal -- so, for now, she deserves the benefit of the doubt in that theater. Cronk has announced he won't act on his options on Homestore shares, which are good for another 10 years at the $20 IPO price, or serve on RealSelect's board of directors during his presidency.

Yet, if you're the president of one of the world's biggest trade associations, and you're cozying up to Homestore execs and saying nice things about their product -- it can't look good to the Realtor in the field showing homes.

Meanwhile, Millett's refusal to answer certain questions or fully respond to Realtors' concerns have tweaked NAR members.

For example, on what date were those 15,000 shares acquired and how much profit was generated?

How were the shares paid for? There are often IPO arrangements where someone doesn't put any money down to acquire a huge amount of shares, who then sells when the stock price doubles. The IPO prices and taxes are lopped off, with the remainder going to the former shareholder.

Why weren't such interests disclosed and where was oversight? NAR officials claim they had no conflict-of-interest policy beforehand, but maybe they should have.

What decisions were they involved in regarding NAR and Homestore while Millett and Cronk owned shares?

If there was, as Millett claims, no conflict of interest, why do internal NAR reports suggest potential conflicts might have existed?

How could Millett sell the stock within 10 days while NAR rank-and-file have 180-day embargoes?

Many questions -- and many answers that may or may not come.

Maybe for Realtors, it's the perceived double standard and secrecy regarding the real deal that's sparking the torch-and-pitchfork party across the cyber landscape.

Confidence and trust in NAR's leadership seems shaken at a time when NAR is trying to enhance its overall image, along with that of agents.

"Hey Sharon and all you other corrupt NAR Officers, what's legal and what's right aren't always the same thing. RESIGN!…How many OTHER little excursions into 'profitville' have you made under the guise of 'Well, it's legal!?'", a Nevada NAR member wrote to us.

Another NAR member, in Washington state, e-mailed: "What a Crock!…If this is not resolved I am considering not renewing my membership in NAR."

Millett has promised to come clean to the board of directors. For some, like Jacobson, it's about cleaning up a mess and moving on to important business -- even if it means an exorcism of Millett's profits from Homestore stock sales.

But he at least offers options for mitigation. Others are obviously more radical in their expectations.

Again, it's important to stress there doesn't appear to be anything illegal at this point. That's up to the U.S. Securities and Exchange Commission to decide, if they should crane their necks in the direction of this imbroglio.

But as it now stands, there's a posse of NAR members sharpening their pitchforks. And it's a long road to Orlando.

Online acquisition

Homestore.com buys Homefair.com

Homestore.com, a real estate information Internet company, announced today the acquisition of Homefair.com, an online moving and relocation site, for $85 million.

The combined Homestore.com sites are expected to deliver 2.7 million unique users each month.

Five-year-old Scottsdale, Ariz.-based Homefair.com offers content and services for people who are moving to a new home or relocating. Homefair.com is operated by Homebuyer's Fair Inc., a division of Central Newspapers, which trades on the NYSE under the symbol ECP.

The acquisition is expected to give Homestore.com a strong foothold in the moving and relocation market. The transaction is expected to close in the next two months.

Homestore.com operates a family of Web sites, including Realtor.com, HomeBuilder.com, SpringStreet and Remodel.com. It trades on the Nasdaq under the symbol HOMS.

Homestore.com Q3 earnings up 280 percent

Company said it cut its third quarter losses

Homestore.com reported a record revenue of $18.6 million for the third quarter today, beating Wall Street estimates as the Thousand Oaks, Calif.-based company's subscriber and advertising base widened.

The online realty giant's earnings were a 280 percent increase over $4.9 million reported for the same period during 1998, and a 49 percent increase over last quarter's $12.5 million.

The company's pro forma net loss came in at 23 cents a share, down from the 28 cents a share for the same period last year.

The pro forma results excluded non-cash charges such as stock-based compensation and a litigation settlement. Including those charges, the loss was 52 cents a share, compared to 77 cents a share a year earlier.

"I'm extremely pleased with our third quarter operating results -- our first quarter as a publicly traded company," said Stuart Wolff, Homestore's CEO.

Subscribers to HomeStore's family of Web sites increased by about 10,000 during the third quarter to more than 85,000, according to the company.

The sites, Realtor.com, HomeBuilder.com, SpringStreet.com, Remodel.com, and Homefair.com, attract about 2.2 million unique users per month, with more than 397 million page views.

Homestore also settled a lawsuit with Cendant Corp. late last week and said it would issue 250,000 of its shares worth about $9.4 million to its online rival. Homestore, as part of the realty giants' original agreements, also gets exclusive third-party access to about 400,000 home listings from Cendant's three brands.

CompleteHome.com at last

Cendant's new portal to launch in December

ORLANDO -- Cendant Corp.'s long-awaited real estate mega Web site, CompleteHome.com, is ready to launch next month, but the company is still being tight-lipped about specifics.

At the Cendant's exhibition booth at this weekend's National Association of Realtors convention, chief operating officer Jed M. Katz and Scott Deaver, vice-president of marketing, declined to discuss specific issues of content, design or partnerships.

"We're really here to hear from brokers about what they want and need," Katz said.

What is known is that the site will be going up against the already established mega-site Homestore.com, which operates Realtor.com and several other real estate-related sites under its umbrella, and Microsoft's HomeAdvisor.

With Cendant's deep pockets behind it, however, it's seems likely CompleteHome.com will be perfectly well equipped to give the competition a run for its money. The site was developed around the technology of RentNet.com, which will be incorporated into the new site.

As a real estate portal, CompleteHome.com is aimed at consumers buying or selling a house, planning a move, renting an apartment or just looking for tips on their current living situation.

The key behind CompleteHome.com is that it has the resources of Cendant as its base, including Cendant-owned Century-21, Coldwell Banker, ERA, Cendant Mortgage and Cendant Mobility, which is one of the largest relocation services in the country.

Both Katz and Deaver said they weren't worried about the head start Homestore.com and HomeAdvisor will have had.

"Consumers go to more than one site," Katz said. "That's a fact. Ours just has to be superior."

Another important component of the site is what it will do for Cendant-affiliated brokers and agents.

"The primary purpose of the site is for consumers," Deaver said. "But it's also to provide support for brokers."

It's hoped the site will generate leads and increase productivity for company brokers across the U.S. at no cost to brokers.

Katz and Deaver also said the site would not only serve as a marketing tool but they expected it to become a profitable revenue source. Although they declined to go into specifics, Katz mentioned banners on the site and partnerships with other businesses that could create revenue streams.

Currently CompleteHome.com is a wholly-owned subsidiary of Cendant, but Katz did say that an IPO was being considered for the second quarter of next year.

2000: Homestore becomes Wall Street's dot-com darling

This old cave

Homestore.com debuts new ad campaign

With television spots and print ads, Homestore.com Inc. announced today the launch of a new branding and advertising campaign.

The company's new slogan is "There's No Place Like Home." The TV ad was created by Joe Pytka, who has also created campaigns for IMB, Apple, Nike and Hallmark. The 60-second Homestore.com spot, entitled "The Quest," features a clan of cavemen's search for a new home in the wilderness. But the group discovers another clan already occupying their dream cave.

The TV campaign will run for six weeks beginning today. It will be supported by print and online advertising.

The timing for the ad's debut was specifically chosen to follow the glut of e-commerce commercials that debuted during the Christmas shopping season, Homestore.com said. The company also pointed out that, unlike some Internet companies in the press lately, it had not blown 70 percent of its budget on the campaign before creating a solid product, but had spent the past three years building its network before hitting big-time advertising.

Homestore.com trades on the Nasdaq under the symbol HOMS.

Homestore.com offers up second round of shares

Stock soared after August IPO

Real estate online company Homestore.com will offer more of its common stock.

The California-based company announced Wednesday that it has filed for a follow-on public offering of 8.3 million shares. Its shares soared after an August initial public offering.

In its registration statement with the U.S. Securities and Exchange Commission, the company said about 4.25 million of those shares are being offered by stockholders. The company offers the remainder.

Homestore, which trades under HOMS on the Nasdaq, was trading at $82 per share on mid-Wednesday.

Homestore.com revenues jump in fourth quarter*

But losses increase over 1998 as well

* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

Despite great stock gains, record revenue and a deep well of home listings, Thousand Oaks, Calif.-based Homestore.com Inc., still suffered losses.

The online realty mega Web site reported that revenues more than tripled in fourth-quarter of 1999 from 1998, but also experienced bigger losses than the previous year.

Pro forma revenues jumped 233 percent — $28.1 million — from $8.4 million in the fourth quarter of 1998. It was a 36 percent gain from $20.7 million in third-quarter 1999.

The pro forma net loss for fourth-quarter 1999 was $16.2 million, or 23 cents per share. In third-quarter 1999, Homestore lost $16.8 million, 25 cents per share. Homestore actually lost more money than in fourth-quarter of 1998, when losses hit $15.5 million, or 32 cents per share.

Overall, pro forma revenues were $73.4 million in 1999 and represented a 217 percent gain from 1998's pro forma revenues of $23.1 million.

Overall, Homestore lost $71.1 million, or $1.14 per share, in 1999, compared to net pr forma losses of $44.9 million, or $1.04 per share in 1998.

Stuart Wolff, chairman and CEO of Homestore, was happy with 1999's results.

"We are extremely pleased with our operating results for the fourth-quarter and full-year," he said. "We believe our continued growth in revenue and improvement in our bottom line is the result of our leadership position in the home and real-estate category on the Internet."

The company's growth was due to revenue gains in professional subscriptions and an increase in advertising. Homestore's network of professionals grew to more than 95,000 by the end of 1999.

CompleteHome.com on the Move

Cendant's mega-site changes name, image

Cendant Corp.'s long-awaited online real estate mega-site, CompleteHome.com has undergone a name change and a possible shift in its business image even before its launch.

The site has changed its name to Move.com, but will still offer the same services as CompleteHome.com, the site Cendant (NYSE: CD) designed to offer home and rental listings, mortgage and relocation services, company officials said.

Officials say the name change will help them want to reach a broader Web audience. The launch is scheduled before the end of January.

Cendant officials said the name change gives consumers a better idea of where they believe the site is headed — guiding consumers through the moving process by offering real estate services before, during and after a move.

But the name may also draw users looking for moving companies and relocation firms that handle cross-country moves. That was intentional, officials said.

"Our aim at Move.com is to change the way people move -- from planning a move through living in a new home," said Move.com CEO Sarah Nolan. "Move.com is short, memorable and the perfect brand name for our new Internet services portal. Our new name will add even more power to the major media campaign that we will initiate in connection with the launch of the site."

Company officials said it would continue to offer a full-range of real estate related services through its brands Century-21, Coldwell Banker and ERA, as well as Cendant Mobility, Cendant Mortgage, National Home Connections, RentNet and Welcome Wagon/GETKO.

Despite its large network of realties, Cendant total number of listings are likely to fall far short of the number of listings advertised on HomeSeekers, HomeAdvisor and HomeStore.com, the three leading real estate Web sites, according to real estate industry observers.

Users can still visit CompleteHome.com's Web site that previews new features available Move.com.

Ted Deutsch, a Move.com spokesman, said the name became available as part of the recent acquisition of MetroRent.com, a San Francisco Bay Area rental services company that specializes in small apartment buildings, Victorians and flats as well as roommate referral services. It's a name the company originally wanted for the online realty services mega-site.

"(The name change) doesn't change our strategy or the way we're building the Web site," Deutsch said. "It will be our challenge to make the breadth of the of the site known to consumers."

He said Move.com users should not experience any brand name confusion with CompleteHome.com. "(CompleteHome) is not a live site, so we're not losing much name recognition," Deutsch said.

Cendant has recently settled a $300 million lawsuit against HomeStore.com for 250,000 shares in the company and a renewed commitment to several alliance agreements. Cendant also reported adjusted third-quarter earnings from continuing operations of $235 million, up from $172 million, from the same period in 1998.

In the last few months, CompleteHome also enhanced its non-home buying services with partnerships and acquisitions.

In addition to signing a deal with MetroRent.com, officials also recently forged agreements with Furniture.com, a Web-based furniture retailer, and signed a three-year partnership agreement with ImproveNet, a leading home improvement Web site.

Homestore stock priced

8.3 million shares will open at $110

Homestore.com Inc., an online realty megasite, has priced a secondary offering of 8.3 million shares at $110 per share.

About 4.07 million shares will be offered by Homestore and about 4.23 million shares will offered by stockholders of the company. The company expects to generate about $429 million in net proceeds from the offering.

The company currently has about 70 million shares outstanding with a market capitalization of $5.8 billion.

Homestore's lead underwriter on the deal is Morgan Stanley Dean Witter. Also involved are Merrill Lynch & Co., Donaldson Lufkin & Jenrette, Robertson Stephens, Chase H&Q and Wit Capital Corp.

A registration statement was filed with the U.S. Securities and Exchange Commission.

Homestore.com stock plunges

Offering will net millions for top execs

Online realty megasite Homestore.com Inc.'s (Nasdaq: HOMS) announced pricing of its secondary offering last week has made Wall Street investors nervous enough to cause its stock to plunge.

Shares are not expected to trade until Tuesday. But when the offering is completed, some of Homestore's executives and largest shareholders are expected to score millions in the deal.

Homestore officials on Thursday priced the offering of 8.3 million shares at $110, only a day after closing at a 52-week high of $122.25. But Homestore's stock plummeted by $26.31, or nearly 22 percent, to close Friday at $95.94.

Homestore.com's stock price continued its slide in midday trading to about $87 -- nearly a 10 percent loss so far today.

Trading volumes were unusually high last week, soaring to almost 608,900 on Monday, 743,000 on Tuesday and 1.011 million on Wednesday. Previously, the volume broke the 1 million barrier just twice before, with a high of 1.423 million on Nov. 23.

Homestore.com currently has 70.1 million shares outstanding. The offering includes 4.23 million shares offered by existing shareholders and 4.07 million held by the company and is expected to generate $429.2 million in net proceeds for Homestore.

Homestore officials said they could not comment on the sale, citing a quiet period before selling shares on the market.

However, the drop in price was not entirely unanticipated by Homestore, according to a Jan. 12 filing with the U.S. Securities and Exchange Commission. Homestore officials were concerned about the effect that selling more stock to the public may have on share prices, officials said.

In fact, when the company had its initial public offering on Aug. 5, some shareholders agreed to embargoes preventing them from trading their shares for 180 days. Some of those agreements are scheduled to expire during the first week of February. However, some of the large shareholders agreed to extend the embargo for 90 more days.

The embargoes were imposed to prevent nearly 54 million shares from becoming available on the market at the same time, which would have caused the company's shares to plummet even further, officials said.

"Sales of a substantial number of shares of common stock in the public market following this offering could cause the market price of our common stock to decline," according to documents Homestore filed with the SEC.

Shareholders and executives who are reaping windfalls include:

Name	Shares Sold	Value	Remaining Shares	Percent Ownership
Whitney Equity Partners, L.P. (Michael C. Brooks)	797,459	$87.7M	4,534,171	6.1%
Ingleside Interests (Joe Hanauer)	580,532	$63.9M	4,521,988	6.1%
National Association of REALTORS	500,000	$55M	4,025,640	5.4%
Stuart H. Wolff	177,500	$19.5M	3,373,090	4.5%
Richard R. Janssen	220,945	$24.3M	1,267,030	1.7%
National Association of Home Builders (Kenneth K. Klein)	56,644	$6.2M	549,749	--
Peter B. Tafeen	50,000	$5.5M	459,375	--
John M. Giesecke, Jr.	23,750	$2.6M	451,250	--
David M. Rosenblatt	30,000	$3.3M	273,333	--
Catherine Kwong Giffen	25,000	$2.8M	226,667	--
Joseph J. Shew	18,750	$2.1M	169,583	--

But many of Homestore.com's biggest shareholders will sell their shares when they begin trading.

Homestore CEO Stuart Wolff is slated to pick up nearly $20 million in the sale; the National Association of Realtors will sell $55 million in shares; and Homestore board member Richard R. Janssen, will get about $24.3 million.

Realtors weren't given the same opportunity and are still locked in. Realtors' holdings add up to about 1.2 million shares.

But many large shareholders are keeping their stock, including venture capital firm Kleiner Perkins Caufield & Byers, which didn't give up any of its 9.691 million shares. Kleiner Perkins will have 13 percent ownership in Homestore after the sale is completed.

General Electric Capital Corp., represented by Nigel D.T. Andrews, held onto nearly 4 million shares. The Federal National Mortgage Association, or Fannie Mae, represented by William E. Kelvie, hung on to nearly 2.1 million shares.

Homestore President Michael A. Buckman kept all of his 750,000 shares.

Nevertheless, there are some huge windfalls about to be struck for some major Homestore players.

Others who have decided to sell shares include:

- Allen & Co. -- 485,626 shares, worth $53.4 million.
- Daniel A. Koch -- 376,760 shares, worth $41.4 million.
- GeoCapital IV LP -- 345,140 shares, worth $37.9 million.

- Tri-Properties LTD -- 157,625 shares, worth $17.3 million.
- Fred R. White Jr. -- 133,625 shares, worth $14.7 million.

Homestore.com will have 74,262,225 shares outstanding of common stock following the sale.

Move.com moves today

Cendant launches all-services site in channel deal with Alta Vista

Cendant Corp. today launched its realty megasite Move.com along with a new deal with Alta Vista.

Cendant's deal with Alta Vista is to debut a co-branded online real estate channel within a few months.

Cendant will pay Alta Vista about $40 million to make Move.com the portal's exclusive real estate services provider.

"The Internet is changing the way customers shop for homes and apartments, as well as the services related to moving," said Ross Levinsohn, vice-president and general manager of new media for AltaVista."The AltaVista Live! Real Estate channel will provide an intelligent alternative for users to take control of their real estate and relocation needs."

Andover, Mass.-based CMGI Inc. is the majority-owner of AltaVista (Nasdaq: CMGI) and has 60 companies under is corporate umbrella. AltaVista is headquartered in Palo Alto, Calif.

Delayed, renamed and long-awaited, Move.com -- originally called CompleteHome.com --- features the Cendant family of Web sites and companies, including home listings from Century-21, Coldwell Banker and ERA residential real estate brokerages; relocation services through Cendant Mobility; mortgage services through Cendant Mortgage; commercial realty services through Coldwell Banker Commercial; and rental listings and services via RentNet, MetroRent, National Home Connections and Welcome Wagon/GETKO.

"What we've tried to do is incorporate what we learned from what people are saying they need," said Sarah Nolan, Move.com's CEO. "(Moving) is the third most stressful vent in someone's life, behind death and divorce and just ahead of a new job and baby. Most people will move 13 times in their lives, and it can be bewildering ... when you most need support, you instead need to be a battlefield general to master all the tasks."

Also incorporated into the Move.com site as partners and alliances are hardware.com, Allstate Insurance, furniture.com, Cars Direct.com, Ryder Truck Rental, ImproveNet and Carefinder.com.

Move.com also hopes to build lengthy relationships with consumers by providing the "direct, reliable services, rather than information only," Nolan said.

"For our business partners and real estate professionals, this portal will provide valuable access to people who need products and services to make their transitions easier," said Nolan. "Cendant's existing breadth of services and depth of experience give Move.com a clear understanding of movers' needs and offer us the core strengths to intelligently guide customers through the entire process."

She said the deal with Alta Vista were conincidental, but were being developed at the same time.

Move.com manages to fit all of its resources, with helpful summary bubbles at links, on a lone page, and integrates its services -- mortgage services are a primary example -- throughout the site to eliminate excessive clicking back and forth. A flow locater, showing how deep users are into a link is also helpful.

"It's got a big expansive growth of breadth of services and integration of services in one place," said Ted Deutsch, a Cendant spokesman. "Whether they're buying, renting or moving, consumers can get around (on the site) very easily."

The National Association of Realtors reported that 23 percent of all potential homebuyers have searched online for homes, up from just 2 percent in 1995, while 72 percent of real estate firms and 57 percent of Realtors report some of their business comes from online services.

Homestore.com rolling out

Budget and Ryder trucks to carry Web site's name

Homestore.com Inc. (Nasdaq: HOMS) and Budget Group Inc. (NYSE: BD) announced today they have entered into an alliance where the online real estate network will share resources and branding with Budget's Truck Group division, including Ryder TRS and Budget Truck rentals.

The new arrangement allows Thousand Oaks, Calif.-based Homestore.com to expand its offerings to include relocation services using the 45,000 Budget and Ryder rental trucks. In exchange, Lisle, Ill.-based Budget becomes a stockholder in Homestore.com with 1 million shares of stock.

The deal calls for Homestore.com's logo to appear on the rental trucks – a medium that the company estimates "generates nearly 144 billion impressions annually."

In exchange, Budget expects to reach the estimated 2 million unique visitors on the Homestore.com Web site each month.

Homestore losses hit $132M*

Web realty giant's deficit in 1999 reaches $155.7 million, but revenues get big boost

Online realty giant Homestore.com is still the highest-priced real estate technology stock on the Nasdaq exchange, but it reported record annual losses of $132 million last year, according to documents filed today with the Securities and Exchange Commission.

Homestore.com officials tallied pro-forma losses of $132 million for the fiscal year ended Dec. 31, a 42 percent jump from 1998, according to the filing. Combined with annual losses of $87.1 million, Homestore.com reported a deficit of $155.7 million.

Revenues for the year were up to $73.4 million, an increase of nearly 218 percent from 1998. The increase was due to a jump in revenue from professional subscriptions, as well as an increase in advertising revenue, according to the filing.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

Report of the losses report helped push Homestore.com's share price down to $57.72, about 3.2 percent lower than yesterday's close of $59.63. Homestore.com's stock value has been falling since hitting a 52-week high of $138.

Homestore.com also anticipates losses for the foreseeable future, depending on revenue growth from brokers, agents, home builders and rental property owner Web-hosting fees, according to the filing. Other factors include ad sales and other products and services.

Future losses will also be affected by non-cash stock-based charges related to deferred compensation and stock and warrant issuances. As of Dec. 31, the company had $177.6 million in deferred stock-based compensation.

Homestore's family of Web sites includes Realtor.com, Remodel.com, HomeBuilder.com, SpringStreet.com and HomeFair.com.

Web-based agreement

NAR, Homestore to co-develop Realtors Electronic Transaction Platform

The National Association of Realtors and Web realty giant Homestore.com have announced plans to develop Web-based homebuying and selling transaction management software.

Called Realtors Electronic Transaction Platform, it will integrate steps in the transaction process. A real estate deal can involve 20 elements, such as mortgage, title, escrow and appraisals.

NAR and Homestore will announce RETP's charter members soon.

"Given that this is the largest industry in the U.S., this could be the mother of all B-to-B exchange networks," said Stuart Wolff, CEO of Homestore. "Stay tuned. You'll see additional announcements shortly as this new platform continues to be built."

RETP will provide a suite of Web-based tools to process transactions.

Homestore's family of Web sites includes about 1.3 million listings at Realtor.com, Springstreet.com, HomeBuilder.com, Remodel.com and HomeFair.com.

NAR has at least 750,000 members and is the largest trade organization in the U.S.

Sailing rough seas

Competitive threats have hurt Homestore.com, but analysts remain bullish

Declining interest in Internet ventures that lose money and competitive threats from Microsoft Corp. and Cendant Corp. have contributed to Homestore.com Inc.'s falling stock price, analysts said.

Homestore (Nasdaq: HOMS) stock plummeted again Monday by $7.13, or 15.06 percent, to close at $40.19 -- close to Homestore's lowest closing price of $39.50 on Oct. 22. Homestore stock was at $39.50 today in midday trading.

The company may simply be playing a role acted out many such Web companies on a broader stage, Nick Karris, an online real estate industry analyst with Lincoln, Mass.-based Gomez Advisors.

"Investors' appetites for Web loss leaders seems to be waning," he said.

Much of Homestore's stock decline has occurred in the last two months. At the same time, the technology-laden Nasdaq exchange has also seen a series of declines in the past week.

Since closing at $122.25 per share on Jan. 25, the online real estate giant's per-share price has spiraled by about 67 percent, including a 40 percent loss since Feb. 29.

Nevertheless, many investment firms still give Homestore a "buy" rating. In fact, four Wall Street analysts who cover Homestore rated it a "moderate" buy while two gave a "strong buy" rating.

Despite the per-share plunge and heavy losses, Homestore.com CEO Stuart Wolff said he sees profitability rapidly approaching on the horizon.

"There aren't really any fundamental drivers (to the share price drops)," said Wolff. "The company news has been positive. We had a strong fourth quarter, which drove the (stock) price up.

"We can't explain it, but we aren't doubting ourselves...That's the world we live in. If you focus on the daily share price, you'll go crazy," Wolff said.

Homestore's outlook seemed much different last summer, when the Thousand Oaks, Calif.-based company went public with an initial offering that everyone seemed to be waiting for.

Powered by an immense home-listings advantage over other Web companies, a close relationship with the largest Realtor trade organization in the country, the National Association of Realtors, and headed by long-time real estate experts, Homestore.com seemed a winner. The stock opened Aug. 5 at $20 and closed 14 percent higher at $22.75.

Perceptions of a slow stock takeoff were quashed when it finally doubled on Aug. 16, making for some very happy NAR executives and rank-and-file members who bought up to 100 shares.

The latest downward price pressure comes days after competitor Microsoft had a major business announcement and weeks after Homestore reported significant losses in 1999 in filings with the Securities and Exchange Commission.

Last week, Microsoft announced partnerships with lenders and the creation of HomeAdvisor Technologies Inc., a new company to oversee its existing HomeAdvisor site. The software behemoth also announced a new business-to-business and Web transaction management system for real estate agents, brokers and consumers that should be available sometime in April.

Earlier this month, Homestore reported $132 million in losses for 1999, a 42 percent jump in losses from 1998. Revenue, meanwhile, also hit record numbers at $73.4 million, a gain from 1998 of 218 percent.

A Merrill Lynch report dated March 17 said the company's stock has struggled recently for a number of reasons, including an increase in the number of shares trading on the market, reports of losses and the competitive threats from other real estate firms with similar products.

An increase in the number of Homestore shares have hurt its price, including a secondary offering of 8.3 million shares at $110 per share in January, according to the report. About 4.07 million shares were offered by Homestore and about 4.23 million were offered by stockholders. Another offering of 45 million shares is slated for April 26.

While the effects of the shares on the market are likely to be only short-term, the magnitude of the stock's decline has been surprising, the report said.

Merrill Lynch also sees competitors such as HomeAdvisor Technologies Inc. and Cendant Corp.'s Move.com as factors in the stock's decline, the report said.

Homestore and the National Association of Realtors also plan to launch their own Web-based transaction management system called Realtors Electronic Transaction Platform, but could not provide a timeline for its launch.

"The threat of Microsoft as a competitor scares investors -- and rightly so: Microsoft has plenty of technical and financial resources and can afford to fail many times over...(but) we believe Homestore's industry relationships will give it a leg up..." the Merrill Lynch report said.

There was also favorable news in Merrill Lynch's report. It said Homestore should eventually grow in share valuation and set a 12-to 18-month price objective of $110.

The relationship with the NAR should provide Homestore a long-term advantage over competitors, the Merrill Lynch report said. Homestore offers about 1.3 million listings via NAR as well rental and new-home listing via Springstreet.com and HomeBuilder.com.

Today, Homestore leads competitors in key Web areas, according to Nielsen/NetRatings. The company had 123.3 million page views for January at 56 pages per person. HomeAdvisor, meanwhile, had 4.8 million page views at 10 pages per person.

Homegain.com had 5.7 million page views; Cyberhomes.com had 5.9 million; HomeSeekers.com had 5.1 million; RealEstate.com had 1.7 million; and Homes.com had 5.5 million.

Homestore insight

Yahoo's Insider reveals who's selling

When Homestore.com announced it was going public, conjecture rippled through the real estate industry as to who owned how many shares of the online realty giant.

According to a recent filing with the Securities and Exchange Commission, several leading real estate brokers and a prominent consultant have benefited from the Homestore.com public offering, and the online realty firm's CEO Stuart Wolff has already cashed out for $18.7 million.

Among the shareholders who recently filed to sell shares of HOMS stock were:

- Gregg Larson -- Filed March 13 to sell 12,500 shares equaling proceeds of $737,500. Larson is formerly with Clareity Consulting, which a year ago released a report measuring the home-listing content on several real estate Web sites, including Homestore.com.

- James Weichert -- Filed to sell 6,250 shares of HOMS stock on March 8 at proceeds of $406,000. Weichert is founder and president of New Jersey-based Weichert Realtors.
- Wesley P. Foster -- Filed Feb.3 to sell 6,250 shares at proceeds of $525,000, and filed March 7 to sell 4,677 at estimated proceeds of $327,000. Foster is president of Fairfax, Va.-based Long & Foster, a large East Coast real estate company.
- Keller Williams Realty -- Filed Feb. 28 to sell 17,113 shares at proceeds of $1,232,136. Keller Williams is based in Austin, Texas and has a total of 179 franchises and 6,000 real estate agents.
- Lee Finch (and Billie S.) -- Filed March 1 to sell 6,250 shares at proceeds of $478,125. Finch is the president of RE/MAX Greater Atlanta, one of the largest RE/MAX offices anywhere.
- Stuart Wolff, Homestore CEO and chairman, filed Jan. 27 to sell 177,500 shares at $105.60 per share. Proceeds equaled about $18,744,000.

Except Wolff, all the above shareholders filed Form 144 with the U.S. Securities and Exchange Commission, which is required when the amount sold during any three-month period exceeds 500 shares or has an aggregate price in excess of $10,000, according to the FreeEdgar.com site.

Homestore hears from DOJ

Antitrust division seeks information

Homestore Inc. (Nasdaq: HOMS), which operates Realtor.com for the National Association of Realtors along with several other real estate-related Web sites, has received a question for information from the U.S. Department of Justice’s antitrust division, the company announced today.

According to Homestore, the request seeks information about the business of Homestore.com relating to Internet real estate sites in the United States, but the DOJ has not made any allegations of violation of law.

Homestore says it believes it has complied with all laws and regulations and intends to cooperate fully with the DOJ's request.

Inman News reported last summer that the DOJ was looking into Homestore’s business activities.

Exclusive listing agreements, known as Broker Gold and Gold Alliance, were solicited from the country’s top MLSs and brokers in exchange for pre-IPO stock options in Homestore.

Critics and competitors say the “gold” programs hurt home sellers because they limit the national marketing of homes for sale. Critics also maintain the agreements are anti-competitive.

The Antitrust Division regulates trade and maintains competition by investigating alleged price-fixing conspiracies, corporate mergers “likely to reduce the competitive vigor” of particular markets and so-called predatory acts designed to achieve or maintain monopoly power.

Homestore’s stock fell $2.88 per share in early morning trading Tuesday to $18.88, a 13.22 percent drop.

Homestore's biggest deal yet

5-year pact with AOL worth at least $200 million, execs say

One of the biggest online real estate deals in the niche's short history will make Homestore.com content available to at least 24 million AOL and AOL-related users.

The co-developed home and realty channel will be the fourth business deal in four years between the companies and is valued at more than $200 million.

"It probably is the biggest deal in online real estate," said Stuart Wolff, Homestore's CEO. "We already had a pretty good agreement...It's a testament to a good partnership. They've done what they said they would do and we've done we've said we do.

"It's a big win for customers and great for enhancing our traffic capabilities."

Wolff said Homestore officials looked forward to integrating the companies' tools and technologies. AOL's network also includes CompuServe, Netscape Netcenter and Digital City.

Under the deal, Thousand Oaks, Calif.-based Homestore will provide content for Dulles, Va.-based AOL's home and real estate channel, including finding a new home or rental, moving, relocating as well as tools and services related to home services. The channel is one of 15 specialized channels on AOL.

As part of the deal, AOL will get 3.9 million shares of Homestore.com common stock, a $90 million credit line should Homestore stock miss performance goals and $20 million in cash.

"Looking for a place to live and moving can be complicated and stressful," Bob Pittman, AOL's president and CEO, told the CNN Financial Network today." We hope that by bringing Homestore.com's selection of tools and resources to AOL, we can make the process easier and more convenient."

News of the deal was good news for Homestore's flagging stock, which had steadily fallen since hitting $138 per share on Jan. 26. It closed under its $20 IPO price most of last week. The stock surged 25.34 percent, to close at $22.88, after closing Friday at $18.25.

Homestore's market capitalization was at $1.716 billion. AOL's stock today dipped 0.52 percent, to close at $59.69. The company's market capitalization was at $136.2 billion.

Homestore's stock price had also been affected by the U.S. Department of Justice's anti-trust investigation of the company, the release of about 43 million shares from lockup agreements and multi-million dollar losses from 1999.

Wolff noted that Homestore will be releasing its latest earnings report this week.

"Of course we'd rather have the stock (price) go up than down," he said. "But our earnings call is coming out and AOL is big piece of the puzzle," adding that companies should be evaluated on more than common stock per-share prices.

Nick Karris, an online realty analyst with Gomez Advisors, said Homestore.com is readying for the second phase of online real estate's progression to widespread consumer use -- a more automated and simplified closing process.

"It's certainly one of the biggest deals. My guess is that Homestore will try to build out its local vendors base from this business model," said Karris. "(They) currently don't have a deep local vendor list. The challenge is for them take advantage of this opportunity, to justify the huge price they're paying."

With companies such as EZCloze.com and iProperty.com providing transaction management services, Karris said it will be "exciting to see how Homestore builds out the partnership."

"Now, they have the opportunity to facilitate transactions and with 22 million AOL members, an opportunity to impact many, many transactions," he said.

Inman News reported last summer that the DOJ was looking into Homestore's business activities.

AOL, Homestore link up

Giants in Internet access and online home issues to partner in marketing

America Online Inc. (NYSE: AOL) has partnered with Homestore.com Inc. (Nasdaq: HOMS) in a five-year joint marketing effort that the firms say will be worth more than $200 million.

Under the agreement, Homestore.com will be the exclusive provider of home-related information for the 22 million subscribers of the nation's largest Internet access provider, *Reuters* reported. The partnership will call for a "home-related channel" on AOL, which will offer with information about real estate, home services and relocation.

The partnership will extend to AOL-owned brands such as AOL, AOL.COM, CompuServe, Netscape Netcenter and Digital City.

As a part of the deal, Dulles, Va.-based America Online will receive 3.9 million Homestore.com shares and $20 million in cash. In exchange, Thousand Oaks, Calif.-based Homestore.com is required to meet unnamed performance targets.

Homestore's higher earnings*

Pace of losses also eases in first-quarter 2000

Online realty listings giant Homestore.com Inc. reported a revenue surge of 38 percent in first-quarter 2000 from the previous quarter, the company announced today.

Revenues improved to $38.6 million in the quarter ending March 31, over $28.1 million in revenue from fourth-quarter 1999. On an annual comparison, revenues gained 271 percent from first-quarter 1999's report of $10.4 million.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

The revenue gains helped Homestore's bid to reduce losses, which dropped to $10 million in first-quarter 2000, from $17.2 million in losses from first-quarter 1999 and $16.2 million in losses from fourth-quarter 1999.

On a per-share basis, losses were 14 cents in the first-quarter and 23 cents in fourth-quarter 1999. The first quarter of last year saw a 31 cents per-share loss.

Homestore.com, which has come under a U.S. Department of Justice anti-trust investigation and days ago inked a $200 million, five-year deal with AOL, saw its stock drop today on the revenue news by 7.27 percent. The per-share price ended at about $23.13, after closing yesterday at about $24.94.

Homestore also reported it's getting more than 2.9 million unique visitors monthly, according to MediaMetrix, a Web usage monitoring company.

Listings war heats up again

Homes.com demands end to exclusive Homestore-MLS deals

Just when it seemed that the online listings war had cooled, a new salvo has been fired.

Menlo Park, Calif.-based Homes.com, an online real estate services provider with at least 700,000 listings for homes and rental units, has demanded that Thousand Oaks, Calif.-based Homestore.com Inc. open up its clamp on MLS listings.

The demand comes as Homestore is mired in a U.S. Department of Justice anti-trust investigation of its exclusive listings deals with MLSs sealed with stock options.

“Restricting the MLS listings to a single online provider harms nearly everyone involved with the real estate industry,” said Bob Prince, CEO of Homes.com. “In fact, the only ones who have benefited from these agreements are the MLSs, National Association of Realtors executives and Homestore.com investors.”

“We believe that online real estate services must compete on the basis of the value and quality of the services they provide to consumers and to real estate professionals, not by anti-competitive measures such as blocking access to listing information.”

Homes.com contends homebuyers have fewer options, sellers lose exposure for their homes and real estate brokers and agents face the prospect of being penalized for choosing other online providers.

Homestore CEO Stuart Wolff said Homes.com officials were making the demand because they couldn't compete with Homestore.

“This is like the NBA playoffs,” said Wolff. “There are two types of players; guys that go out there and give it their all and hit their shots and then there are guys who don't get the job done and whine to the officials. We focus on going out there, rebounding, hitting our shots and playing our best game.”

“Obviously, (Homes.com) is playing a different game and taking a different course. Ultimately, the game is won on the court.”

Homestore, through Realtor.com, is the listing leader, with about 1.3 million home listings and 6 million rental listings.

John Giaimo, CEO of Web realty services and listings company HomeSeekers.com, supported the Homes.com demand.

“It has always been the opinion of HomeSeekers that exclusive (agreements) are wrong,” said Giaimo. “We've never gotten into an exclusive agreement. It's as if you go to a magazine rack looking for auto magazines and there's always several.”

“The Department of Justice investigation appears to show the department agrees exclusivity isn't right. They've taken it to another level.”

Competitors have been critical for some time of Homestore's exclusive listings arrangements, called Broker Gold and Gold Alliance. Homestore's site, Realtor.com, lists about 81 percent of the country’s MLS-listed properties, with about half of those exclusive. The deals involved some of the U.S.’s biggest MLSs and brokers and involved pre-IPO stock options.

In May of 1998, seven of the biggest Web realty companies sent letters to brokers and MLS executives denouncing the exclusivity tactics of RealSelect Inc., Homestore's predecessor. At the time, RealSelect operated Realtor.com, NAR's official Web site.

Calling RealSelect's arrangements “wrong for the Internet,” the letter decried all “exclusive or exclusionary licensing terms.”

The letter came at a time when the industry fretted over Microsoft's pending jump into online real estate with HomeAdvisor and what was perceived by some as RealSelect's attempt to control and protect listing data.

In today's demand for an end to exclusivity deals, Homes.com also outlined a six-point statement -- or “Bill of Rights” proposal -- that said:

- Sellers have a right to maximum exposure for their homes, garnering the best price and fastest sale.
- Consumers and real estate agents and brokers need public disclosure about whether MLSs and local real estate boards took cash or stock options to limit listings distribution.
- Real agents and brokers have a right to superior Web services free of restrictive practices.
- Consumers have a right to fast, easy access to all property information.
- Consumers have a right to pick Web realty companies best suited to their needs.
- Real estate agents and brokers have a right to pick Web-based marketing services that best enhance their productivity and helps serve their customers.

Ozonian jumps to Homestore

Prudential realty chief joins listings giant

Steve Ozonian, CEO of Prudential Real Estate and Relocation Services, a force behind technological innovation within the online real estate field, has jumped to Homestore.com Inc., Inman News Features has learned.

Homestore.com officials today declined to name a starting date for Ozonian, what role he'll play with the Web realty listings giant or salary and stock compensation. Sources close to Homestore confirmed the move. Prudential officials confirmed tomorrow is Ozonian's last day.

Also headed to Homestore in an as yet undefined role will be Jeff Travelstead, formerly president of the Prudential Real Estate Affiliates network.

“You hate to lose key people. It's something to take notice of,” said Earl Lee, who will take over as president of PREA. “But we're made up of key individuals capable of running the organization. While this loss is significant...it's an opportunity for him to do something greater for the industry.”

“The platform he'll be working from will be industry-wide. It's a much broader opportunity.”

Laura Buser, a Prudential spokesperson, said, “The organizational structure can no doubt carry on and go forward. The strength of (Prudential's) organization is in the people.”

John Vanderwall, formerly president of PREA and chief operating officer of PRERS, will take over Ozonian's spot.

Company officials declined to say whether a counter-offer was made to Ozonian.

Ozonian spent about nine years with Prudential, starting as senior vice-president with responsibilities for technology, sales and referrals, said Prudential officials.

Lee said Ozonian played a key role in Prudential's work on the “(home) transaction of the future,” rapid technology development and got the company's e-certification for real estate agents and brokers in place about a year before the National Association of Realtors could do the same with a similar program.

“(Ozonian) understood what corporate America was demanding of real estate agents,” said Lee, adding that this morning Ozonian thanked Prudential's staff and executives for helping build Prudential's reputation as well as his own.

PRERS was honored in September by Beyond Computing Magazine with awards for creation of DocProd, which produces documents for transferring employees and corporate clients, and for Equiclose, which is a Web-accessible application that speeds up processing equity distributions and closing processes in home transactions.

In 1998, Prudential won an Award of Excellence for innovative technology in development of PREA Center, an Intranet site accessed by all company brokers, and AIMS, a Lotus Notes application linking internal staff with information and collaboration capabilities.

Ozonian to lead Realtor.com

More details on Prudential Realty chief's Homestore jump

Homestore.com Inc. announced today the new positions for Steve Ozonian and Jeff Travelstead, which could signal an effort to balance e-commerce's potential with Realtor concerns.

Ozonian will take over as president and Travelstead as chief operating officer of Realtor.com, the National Association of Realtors official Web site, which is operated by Homestore.com.

It's the second time Ozonian has made a move with Travelstead. They left Coldwell Banker for Prudential several years ago. Today was their last day at Prudential.

“We are extremely pleased to bring these two executives into our organization,” said Stuart Wolff, CEO of Homestore.com.

“Their experience and proven reputation in serving the professional real estate community for nearly two decades will lead the revolutionary expansion of our professional products and services to new levels of innovation and service.”

Ozonian was chairman and CEO of Prudential Real Estate and Relocation Services and Travelstead was senior vice-president of information technology for PRERS.

“We're excited to bring our vision and strategic experience to build on Realtor.com's existing momentum,” Ozonian said. “The online platform provides endless opportunities to take the professional and consumer experience to an even higher scale.”

Homestore officials haven't said what compensation Ozonian or Travelstead are receiving in the move.

Homestore has been criticized recently by some real estate brokers, including Seattle-based Lennox Scott, for its expanding reach and potential threat to local real estate franchises.

Ozonian, who has a strong real estate background, could ease some of those concerns.

Before Prudential , he worked at Coldwell Banker, where his boss was Joe Hanauer, the chairman of Coldwell at the time. Hanauer is on the Homestore.com board of directors and is a major shareholder.

Ozonian has played a key role in the advancement of real estate sales and relocation technology through computer systems, software and marketing tactics.

Early on, he advised on the development of Microsoft's HomeAdvisor.com but struck a home-listings agreement with Homestore.com last year when a HomeAdvisor deal didn't materialize.

One of Ozonian's major accomplishments at Prudential was the launch of the e-certification program, which trains and certifies real estate professionals to use emerging technologies to better serve online consumers.

Before working at Prudential, Ozonian was senior vice-president for Coldwell Banker, building its residential real estate and relocation business. He earned a MBA from Loyola University.

Ozonian's work in information technology and business teams has earned awards including the 1999 Silver Partnership Award from Beyond Computing Magazine; ComputerWorld Smithsonian; and a 1999 Microsoft Industry Solution Award.

Travelstead was senior vice-president of information technology for Prudential Real Estate and Relocation Services, developing e-business strategy and technology initiatives. Before that, he was responsible for information systems development for Coldwell Banker and held technology-related positions with Equitable Relocation Management, Kemper Insurance and Avco Financial Insurance Services.

While he's been at Prudential, the company's Internet and Intranet sites have received awards from CIO magazine, GIGA's Global Excellence in Workflow Award for North America, and Beyond Computing.

Homestore, NAR, launch FireTap

Broadband, ISP, Web services provided

Homestore.com Inc. and the National Association of Realtors have launched a new venture to bring high-end technology services for consumers.

Called FireTap Communications Inc., the new company will provides services geared to the hefty bandwidth demands on real estate-related businesses.

FireTap will target Realtors, brokers, MLSs, at-home agents and consumers with fast Web access using DSL connections, wireless, fiber optics and cable modems; local and long-distance phone connections; provide Internet services and hosting; and digital TV and entertainment services.

“We can offer the best technology and solutions,” said Gregg Larson, vice-president of sales, marketing and product development. “We will be the official telecommunications company of the National Association of Realtors.”

Rich Boornazian will serve as vice-president of industry relations and manage the company's relationships with real estate industry partners. He previously was vice-president at Long & Foster Real Estate. Larson previously headed business development at Homebid.com and helped CyberHomes and was an analyst at Clareity Consulting. He also worked with Moore Data Management Systems.

FireTap will provide discounts to NAR members, which have yet to be determined, in a program called Realtor Rewards.

“Our new partnership with FireTap will make it easier than ever for our members to serve their customers with the very best information technology available,” said Dennis Cronk, NAR president. “This strategic partnership will give NAR members and other real estate professionals a competitive advantage.”

FireTap will use Homestore's business customers and marketing customers as a springboard to provide telecom and broadband services to consumers.

Other key figures in FireTap will be Jason Samuelson, director of channel marketing; Tim Hackett, telecom director. Company offices will be located in Thousand Oaks, Calif.; Scottsdale, Ariz.; Dallas; and Washington D.C. A big investor in the company will be Encore Venture Partners, a private venture capital company.

Homestore will be the majority owner and about 100 people will eventually be employed.

Realtors get new transaction platform

But Homestore, NAR not alone in new arena

The transaction management battle is heating up, as listings giant Homestore.com Inc. the National Association of Realtors and several partners have launched a Web-based transaction management platform.

Called Realtors Electronic Transaction Platform, the suite brings together real estate and technology companies to create a system for Realtors and others to manage and accelerate all aspects of a home transaction, including inspections, appraisals, mortgage processes, title and escrow, and real-time transaction status updates.

"This is truly a landmark announcement in the annals of the real estate industry," said Stuart Wolff, CEO of Homestore.

After Web realty companies spent the late 1990s duking it out over listings, market share, quality minutes and other consumer-oriented areas, Wolff said, transaction management platforms could be a new front in business battles -- and the company isn't alone.

Homestore's REPT will face off with HomeAdvisor's Realty Desktop, another Web-based transaction management platform recently introduced that will be XML-based.

Also involved in transaction management systems are Iproperty.com, Synteleos and Homebid.com, which all have their own products.

Up to $200 million in capital, expertise and other assets will be committed to development of RETP over the next 12 months -- which will include a hefty amount of realty industry input. The full system isn't available yet, but some elements are, company officials said.

They declined to say how revenues would be generated or what the fee structure -- still under development -- will be. The system will incorporate some XML and the platform is geared to keeping Realtors involved in every step of the homebuying process.

The business-to-business platform will allow ordering of services, coordination of the closing process, data and document exchange between parties and management of up to 20 elements of a home transaction.

It will be meshed with Homestore and NAR's FireTap Communications Inc., which will target Realtors, brokers, MLSs, at-home agents and consumers with fast Web access using DSL connections, wireless, fiber optics and cable modems; local and long-distance phone connections; provide Internet services and hosting; and digital TV and entertainment services.

“It's essentially a platform to connect Realtors to consumers and service providers,” Wolff said. “It's being driven by Realtors and our partners. That's the whole point; we've proven we can partner with the establishment...we don't believe in the disintermediation model.

“I believe professional services will be significant. That's how we set up the company years ago.”

The transaction management platform focus is an off-shoot of Web realty's shift to a B-to-B emphasis as previous drives to dominate the listings war or provide online mortgages has been less successful in generating revenue than previously hoped for, back in 1996.

It perhaps signals that long-time real estate agent fears of disintermediation have proven untrue and that Homestore and NAR are making significant strides to keep Realtors rooted in transactions.

Also involved on RETP with Homestore and NAR are GMAC Real Estate and GMAC Mortgage; Fannie Mae; Verisign Inc.; Wyldfyre Technologies, which Homestore recently acquired; the Prudential Real Estate Network; the RE/MAX franchise network; and RE FormsNet, a joint venture of NAR, Homestore and the California Association of Realtors.

Wyldfyre, developer of one of the leading listings management systems, will provide a significant amount of technological backbone to REPT. Fannie Mae will provide technology for speedier loan processes and decisions, flexible underwriting and simper documentation. Verisign offers online authentication and secure electronic commerce will provide electronic forms from its 9,000-page deep library that will allow contract and disclosure information transmission.

"We are creating the platform that we hope will set the standard for the real estate industry," said Dennis Cronk, president of NAR.

HomeStore acquires Top Producer

Realtor.com to control 100k agent desktops

Thousand Oaks, Calif.-based Top Producer Systems, the nation's leading real estate software firm, Inman News Features has learned.

Top Producer Systems was founded in 1982 and has grown to become North America's top real estate software company. The Canadian-based firm has partnerships with many of North America's MLS system vendors and provides photo CMA downloading at more than 1,000 associations and boards of real estate agents nationwide. With 100,000 agents, Top Producer software has been customized and private labeled for Better Homes and Gardens, ERA, Coldwell Banker, Prudential, Realty World and dozens of the nations real estate brokers.

Homestore.com owns a family of real estate Web sites, including the National Association of Realtors-backed Realtor.com and the National Association of Home Builders'

$24M for Top Producer

Homestore outlines plans, gives purchase details

Homestore.com, elaborating today on its purchase of Top Producer Systems, a deal first revealed by Inman News Features last Thursday, said it paid $24.2 million in common stock and cash for the realty software provider.

Homestore (Nasdaq: HOMS) said it plans to incorporate Top Producer's technology into its new Realtors Electronic Transaction Platform.

The Realtors Electronic Transaction Platform, a joint initiative between Homestore and the National Association of Realtors, is designed to manage and accelerate all aspects of a home transaction, including inspections, appraisals, mortgage processes, title and escrow, and real-time transaction status updates.

In addition, Homestore said Top Producer's leads management and productivity software will be integrated with other technologies at Realtor.com, the web site of the National Association of Realtors and part of the Homestore family of web sites, to provide increased functionality across the Internet's most trafficked real estate site.

The integration will result in new electronic linkages between the site and the desktops of agents and brokers, creating a heightened level of communication between real estate professionals and consumers.

Besides the purchase price of $24.2 million, the founding shareholders of Top Producer are entitled to receive up to $16.2 million over the next four years if certain performance targets are met.

Top Producer has more than 100,000 users of its leads and contact management, automated follow-up and real estate marketing tools. Top Producer's clients include many of the largest real estate franchises in North America, including Century 21, Coldwell Banker, Prudential, GMAC, ERA and Realty World.

Homestore.com is based in Thousand Oaks, Calif.

Homestore's shiny quarter*

Realty website narrows losses, increases revenues

Online real estate network Homestore.com, (Nasdaq: HOMS) reported a glowing second quarter Wednesday.

Perhaps the most impressive figure reported was a significant improvement in net loss. Homestore CEO Stuart Wolff said the company's net loss for its second quarter ending June 30, 2000, was only $2.8 million, or $0.03 per share, compared to a net loss of $10 million for the first quarter of this year.

"We are pleased to report an outstanding second quarter," Wolff said during a conference call with investors, analysts and the press. "The results have exceeded our expectations. We are well capitalized, and very proud to be doing this well after only six quarters as a public company."

As analysts had predicted, Wolff announced that the company would reach profitability in the fourth quarter of 2000, an event earlier forecast for the first quarter of 2001.

The company reported increases in revenue, subscribers and visitors to its site.

Revenues for the quarter increased to $50.2 million over pro forma revenues of $14.2 million for the second quarter of 1999 and 30 percent over revenues of $38.6 million for the first quarter of 2000, the company said.

The company's gross profit margin improved to 74 percent for the quarter, up from 63 percent on a pro forma basis, for the second quarter of 1999 and from 73 percent for the first quarter of 2000.

Pro forma net loss for the quarter was $2.8 million, or $0.03 per share. That compares to a pro forma net loss of $20.9 million, or $0.36 per share, for the second quarter of 1999 and $10.0 million, or $0.14 per share, for the first quarter of 2000.

Increased revenue from both professional subscriptions and advertising drove overall revenue growth in the second quarter.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

Revenue growth from professional subscriptions was primarily due to an increase in the number of professionals on the Homestore.com family of web sites. Professional subscriptions rose to almost 122,000 at June 30, 2000, representing increases of 64 percent and 14 percent, compared to totals at June 30, 1999 and March 31, 2000, respectively.

The increase in professional subscriptions included the Realty Executives International, Inc. corporate sponsorship agreement signed in May.

Growth in advertising revenue was primarily driven by an expansion in sponsorships and strategic alliances during the quarter.

Site usage also grew substantially during the second quarter, the company reported. For April and May 2000, the monthly average number of users visiting the Homestore.com network rose to 3.6 million, a 51 percent increase over the second quarter of 1999 and a 25 percent increase over the first quarter of 2000.

During April and May 2000, each user spent an average of 26.1 minutes per month on the network, a 17 percent increase over the second quarter of 1999 and consistent with the first quarter of 2000. Page views were 626 million for the quarter.

The impressive growth is not expected to continue in upcoming quarters, the company's chief financial officer announced during the teleconference, because of "complex deals" and Homestore's efforts to "expand its base."

Several analysts queried Wolff during the teleconference on developments in the Department of Justice's request for information from Homestore, and some other companies, regarding its Internet real estate sites in the United States.

"We're still in the initial flow of supplying their information," said Wolff. "We continue to cooperate with them, and do not for see any sort of negative impact on the company, affecting this quarter or next quarter."

Wolff also said that the company's new relationship with AOL would be an integral part of their growth in the future.

"Having a channel on AOL is the best way to bolster our traffic," he said.

America Online and Homestore recently established a new five-year content, e-commerce and distribution alliance to provide a source of home and real estate content for several key AOL brands.

The centerpiece of the alliance will be AOL's newly conceived home-related channel, a source of home-related information, tools and services for AOL's 22 million online members.

A look at Homestore losses*

Quarterly report shows $24.7 million, but belies strength

Homestore.com Inc. officials are figuring they should hit e-commerce's seemingly mythical kingdom of profitability sometime this year.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

Despite Friday's U.S. Securities and Exchange Commission second-quarter filings, which revealed $24.712 million in net losses, chief financial officer John Giesecke said the figure wasn't an accurate reflection of the company's mounting strength.

"We might not get there in the third-quarter due to some initiatives, but you certainly can expect us to get there in fourth-quarter (2000)," Giesecke said.

"We're very excited about Homestore's performance. Ever since going public, we've been moving closer and closer to profitability. We're proud of the bottom line and the top of the line."

He said the company's losses data shouldn't reflect stock-based charges of $11.021 million and amortization of intangible assets of $10.935 million. He said analysts typically aren't concerned with those figures when they're evaluating a dot-com company value and strength.

"(These) are non-cash items that are not a reflection of the company," Giesecke said. "What should be focused on is when can we be profitable."

Jim Fowler, an analyst with Thomas Weisel Partners, who heads up the firm’s financial services research team, agreed with Giesecke, and gave Homestore stock their highest rating.

"The most important metric is when does a company break even and start generating cash flow," Fowler said. "Those (accounting items) are not cash charges...no doubt we'll raise revenue estimates in the third-quarter and probably be more aggressive on (stock) price targets."

Fowler stopped short of saying Homestore would turn profit before the year is up, but praised the company's business model, and despite a stock fall from well over $100 month ago, is setting a $45 price target.

In gauging Homestore, Giesecke said, a better figure to use is the a loss of about $2.8 million.

"In this sector, what analysts are focused on is cash -- how much is coming in and how much is going out, and when can (a dot-com) be profitable." Giesecke said.

The stock-base charges were included under SEC regulations because pre-IPO options were issued at low valuations, which surged after the IPO, he said. The difference had to be recorded for accounting purposes.

The accounting with higher losses is based on GAAP procedures.

Revenues for second-quarter 2000 surged to $50.152 million, compared to $14.246 million in second-quarter 1999. For the two quarters of 2000, Homestore has posted $88.751 million in revenues, compared to $24.655 million for the first two quarters of 1999.

The revenue gain came due to increases in business-to-business growth, increases in subscription customers and additional subscribers, and advertising sales. And key deals with AOL -- which will develop a third-party content channel using Homestore content -- and Champion Enterprises Inc. the world's largest homebuilder, played a role as well.

Homestore's stock today closed at $35.50 -- a gain of 15.9 percent since Friday's close.

Homestore and Move in talks

Deal pending between two online services

The leading online real estate service Homestore is in active discussions with Cendant's online real estate site Move.com that could result in an acquisition, Inman News Features has learned.

Jeff Charney, Homestore's senior vice president of marketing and communications, declined comment, saying is against company policy to comment on such topics. Move.com's response was similar. "Our policy is not to comment on any rumors out there in the marketplace," spokesman Ted Deustch said.

Cendant's Move.com has been exploring an acquisition or strategic alliance with several parties, but HomeStore is shaping up to be the most promising suitor.

While a letter of intent or a contract has not have been formalized, the discussions have reached a very serious stage, as both parties scope out a merger that would further cement Homestore's leadership position in the online space.

It would also provide a solution to Move.com's fate, as the online real estate space and the dot.com industry go through a tumultuous period.

Move.com was created by Cendant last year to position the real estate franchise in the e-commerce boom. But since that time, online spin-offs by highly profitable offline companies have faced numerous obstacles, including a skeptical Wall St. that shuns the burn rate of online firms and what it does to the balance sheet of the publicly traded offline companies.

Move.com connects relocating consumers to new services and resources. It also enhances the online presence of Cendant's residential brands, Century 21, Coldwell Banker, and ERA and provides apartment listings through RentNet.

Thousand Oaks, Calif.-based Homestore.com offers a family of Web sites, including Realtor.com, HomeBuilder.com, SpringStreet.com and CommercialSource.com. Realtor.com is the National Association of Realtors' official home listing site.

News of the discussions is particularly interesting given the history between Cendant and Homestore.

A year ago, the companies were embroiled in a dispute involving Homestore's initial public offering. Cendant claimed it was promised an equity offer in Homestore's IPO after providing the online realty giant with exclusive third-party rights to display home listings from Cendant's realty brands.

In October 1999, both companies announced they had settled a lawsuit Cendant had filed in New York Superior Court. Among other agreements, terms of the settlement included Homestore giving 250,000 shares of Homestore common stock to Cendant at no cost.

Launched in January, Move.com has been one of the fastest growing sites in the online realty space. Unique users on the site grew 24 percent from June to July, according to a recent report by Internet measurement firm Media Metrix. More than 2 million Web surfers users visited the real estate portal last month.

Meanwhile, Homestore.com attracted more than 4 million unique users during July, the largest in online real estate, according to Media Metrix's report.

Shares of Homestore stock jumped $2.25 per share Monday to $48, the stock's highest trading level this summer.

Cashing in their 'gold'

Brokers, MLSs selling Homestore stock

As the U.S. Department of Justice continues its investigation into Homestore.com's business practices, some multiple listing services and real estate brokers have sold or have filed to sell Homestore stock with the U.S. Securities and Exchange Commission.

Homestore made exclusive deals with MLSs and brokers for home listings, trading stock for exclusivity under programs called Broker Gold and Gold Alliance. Today, in late trading, Homestore's per-share cost was $48.75.

Some of those recently filing to sell include:

- Realty Alliance -- filed on Sept. 5 to sell 12,500 shares with estimated proceeds of $668,750. The Realty Alliance is a 49-member nationwide organization of large, regional real estate companies including Raleigh, N.C.-based Fonville Morisey Realty; Novato, Calif.-based Frank Howard Allen Realtors; Midvale, Utah-based Mansell & Associates; Hockessin, Del.-based Patterson-Schwartz Real Estate; and Denver-based Perry & Butler. The group was founded by Ron Peltier CEO of Minneapolis, Minn.-based Edina Realty Home Services.
- J.D. Reece Realtors -- filed on Aug. 25 to sell 9,375 shares, with estimated proceeds of $421,875.
- Hunt Real Estate -- filed on Aug. 24 to sell 16,875 shares, with estimated proceeds of $650,000.
- Austin Board of Realtors -- filed on Aug. 17 to sell 657 shares, with estimated proceeds of $24,966.
- Wisconsin Preferred Homes -- filed on Aug. 14 to sell 3,125 shares, with estimated proceeds of $110,000.
- Greater Atlanta Brokerage Solutions -- filed on Aug. 8 to sell 3,750 shares, with estimated proceeds of $115,312.
- Multiple Listing Services Inc. -- filed on Aug. 2 to sell 3,048 shares, with estimated proceeds of $106,875.

The investigation of Homestore began last year with the Federal Trade Commission, before the FTC passed it along to the DOJ.

Sources close to the investigation told Inman News in early September that the DOJ's Anti-Trust division's investigation of Homestore, is focusing on a few key areas, including:

- How Homestore struck its exclusive deals with MLSs and brokers.
- Who encouraged the deals, for the Alliance Gold for MLSs and Broker Gold programs
- Connections to a monopoly over home listings.

The DOJ, which has yet to make any allegations of wrongdoing by Homestore, is also attempting to determine economic consequences of the exclusive gold programs on competitors in the Web realty space as well as on consumers, sources have said.

DOJ investigators have previously requested documents from Homestore. From competing companies, the DOJ requested documents and estimates of damages from the exclusive arrangements, sources have said, in the form of civil information demands, which are a form of a subpoena.

There were about 225 "gold" agreements, according to U.S. Security and Exchange Commission filings.

You've got Homestore

Online real estate network launches on AOL

Thousand Oaks-based Homestore.com, an online home and real estate network, is launching its content today on AOL's House & Home Channel, the companies announced.

AOL's House & Home Channel's helps users to find an existing home or apartment, a realtor, gardener, remodeler, landscaper, decorator and more. It also helps consumers access moving and relocation tools, gain information on financing a home, and access home improvement "how to" guides and calculators that help determine the costs for performing various tasks.

The new channel also provides AOL members with instant access to the content from Homestore.com, including access to more than 1.4 million home listings from Realtor.com, and more than 130,000 new homes on its HomeBuilder.com, and more than 45,000 apartment properties in over 6,000 U.S. and Canadian cities on SpringStreet.com.

To celebrate the new channel from now through Nov. 5th, AOL and Homestore.com have designed, with the help of Promotions.com, a unique six-week online promotion called "The $100,000 Celebrity Home Makeover" Sweepstakes. The winning House & Home Channel visitor will win a $100,000 grand prize to remodel or redecorate his/her residence with the help of an interior decorator "to the stars."

Homestore gets into the flow*

Online real estate network reports it has reached cash flow profitability

Thousand Oaks, Calif.-based Homestore.com is reporting net income cash profitability of $554,000 for the third quarter, which ended Sept. 30, 2000.

Even though the corporation still showed a net loss for the quarter of $27.1 million, reaching cash flow profitability is still a significant landmark, says Stuart Wolff, Homestore chairman and CEO.

"It's a true measure of success, especially in the tech world," Wolff said. "The net loss figure contains a lot of non-cash charges related to amortization and acquisitions. The bottom line is we took in more than we spent."

* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

The company says revenues are also up. Homestore's third-quarter revenues increased to $62.2 million over pro forma revenues of $20.7 million for the third quarter of 1999. Revenues for the second quarter of 2000 were $50.2 million.

The company's gross profit margin improved to 74.0 percent for the quarter, compared to 69.3 percent, on a pro forma basis, for the third quarter of 1999, and 73.5 percent for the second quarter of 2000.

Pro forma net income for the quarter was $554,000, or $0.01 per share. That compares to a pro forma net loss of $16.8 million, or $0.25 per share, for the third quarter of 1999 and a pro forma net loss of $2.8 million, or $0.03 per share, for the second quarter of 2000.

Pro forma net income and loss exclude the effects of non-cash charges for amortization of intangible assets, stock-based charges, in-process research and development and a litigation settlement. Pro forma operating results also assume that the acquisitions of SpringStreet.com and HomeFair.com, as well as the reorganization of the company's corporate structure, occurred on Jan.1, 1999.

On a GAAP (generally accepted accounting practices) basis, Homestore's revenues for the quarter were $62.2 million, compared to $18.6 million for the third quarter of 1999 and $50.2 million for the second quarter of 2000.

The net loss for the quarter was $27.1 million, or $0.33 per share, compared to a net loss of $34.2 million, or $0.65 per share, for the third quarter of 1999, and $24.7 million, or $0.31 per share, for the second quarter of 2000.

Homestore said increased revenue from both professional subscriptions and advertising and an increase in the number of professionals on the Homestore.com Web sites, as well as an increase in the average price per subscription, drove overall revenue growth for the third quarter of 2000 over the second quarter of 2000.

The company said site usage also grew during the third quarter of 2000.

For July and August 2000, the monthly average number of unique users visiting the Homestore.com network rose to approximately 4.1 million, a 54 percent increase over the third quarter of 1999 and a 13 percent increase over the second quarter of 2000.

During July and August 2000, each unique user spent an average of 25.2 minutes per month on the network, which was consistent with the second quarter of 2000.

In a news release Thursday, Wolff boasted that it has joined the ranks of only a handful of cash-flow profitable dot-coms.

"…And to accomplish this with such continued strong top-line growth, not only demonstrates the strength of our financial model, but also highlights the power of our strategic positioning and the continued execution of our management team," Wolff said in the announcement.

"It's been another vary strong quarter, and a lot of hard work," said Wolff.

Homestore claims it has the largest audience of consumers and realty professionals on the Internet.

The Homestore.com network includes Realtor.com, HomeBuilder.com, SpringStreet.com and HomeFair.com. The company also has content distribution relationships with America Online, Excite @Home, Netscape and Go Network/Infoseek.

The lighter side of Wolff

Homestore CEO shows sense of humor during Real Estate Connect session

SANTA CLARA, Calif. – Business is business, with talk of valuations, revenue streams and capital markets, but sometimes the wacky side of a CEO can pop out for a while, especially when they're a film buff.

Hence, "The Blair Wolff Project," a spoof film preview starring Homestore Chairman and CEO Stuart Wolff, in a series of close-ups, mock-terror plastered on his face, pleading and apologizing on 15-foot-wide screens Thursday morning at the Real Estate Connect conference.

"I'm sorry for the Gold program…I was naïve to think we could make any money," Wolff pleaded on film shown at the conclusion of a Thursday Q&A sessions featuring him and Steve Ozonian, president of Homestore's Realtor.com Web division.

"I'm sorry if I acquired your company…I'm sorry if I didn't acquire your company…I'm sorry we didn't advertise on Inman (News Features) enough," his terrified character said. "I'm sorry we went public…the market is so volatile…I'm really scared."

The lighter side of Stuart Wolff revealed a man confident enough to poke fun at himself and creative enough to make it funny.

He and Ozonian also included a top-five predictions list – borrowing a bit from David Letterman's infamous Top10 lists – some of which included:

- A merger between HomeBytes and zipRealty, which would create a fast-food restaurant called ZipByte.
- A U.S. Department of Justice "Gold" program, which would focus exclusively on a single case for a year.
- And for the next Real Estate Connect conference, Homestore and other surviving online real estate companies would meet on a tropical island, like TV show "Survivor," with Homestore getting voted off the island for creating an "exclusive voting alliance on the alliance."

But Wolff and Ozonian also found time to mix more serious business tones into the segment.

The biggest factors contributing to Homestore's success, which includes profitability right around the fiscal corner, were finding good people, and developing a solid organization based on "team chemistry."

"It comes down to people, that's part of what we've learned the last four years," said Wolff. "…You have to get a critical mass of brainpower to build from."

He compared that philosophy to the Los Angeles Lakers and their commitment to shedding players unconducive to team play. A good company needs a strategic vision, he said, to build plans beyond the vision and people working well together.

Wolff also put into perspective perceptions that dot-com companies, realty and otherwise,

Have been taking a beating in the press and reputation.

"The abuse is coming on the heels of unconditional love," said Wolff, and follows a period where VCs glutted the dot-com industry with cash, and it seemed many Internet companies forgot the part about "company."

"Markets are still struggling with how to value high-growth companies," said Wolff. "The volatility will continue the next few quarters," as the market tries to develop consistent measurements for valuation.

However it all works, he said it was important to remember that good technology is related closely to creative processes.

As for whether he prefers the "old" or "new" economy, Ozonian said it was important that new economy companies are beginning to understand better fundamental business questions and a natural blending is taking place.

And Realtors are still needed to "help someone through the still-difficult process" of home buying.

"It's still enough of a mystery and there's enough risk around it still, that it's important to have someone around to help," Ozonian said.

Wolff said new technology coming out over the next six months would be "stitched together" with recent acquisitions, to come up with new offerings.

He said there was a lot of growth potential for revenues, as some observers "are mistaking what's going on with some companies."

"[Some companies] are not well," Wolff said. "But the fundamentals of the sector are still strong."

Both executives disagreed with recent reports predicting growth of the for-sale-by-owner segment of the realty market.

"Realtors' roles are very valuable," said Ozonian.

Wolff also briefly addressed the Department of Justice investigation, saying that there was nothing new going on. But he added that he won't scapegoat the government, if Homestore's business has any kind of slip.

Homestore buys Move.com

Deal combines 2 most popular realty,home sites

Homestore.com and Cendant Corp. announced today that they have signed a definitive agreement for Homestore to acquire Cendant's Internet real estate portal, move.com.

The transaction combines the Internet's two leading Web sites in the home and real estate category under the Homestore brand.

Move.com's assets to be integrated into Homestore.com's family of Web sites include Cendant's move.com, apartment locator Rent Net, direct marketing company Welcome Wagon®, and other move.com Web sites.

The transaction also ensures the Homestore web site REALTOR.com will have exclusive 40-year access to the aggregated listings of Cendant' Century 21, Coldwell Banker and Era national real estate franchises.

The deal also includes an agreement by Cendant to purchase Homestore technology and web-based marketing products and vertical ASP solutions.

In addition, Cendant will invest in Homestore development of the Realtors Electronic Transaction Platform, the real estate transaction platform of the National Association of Realtors, helping to unite industry participation behind Homestore technology solution for online real estate transactions.

Under terms of a definitive agreement signed yesterday, Homestore will acquire move.com in an all-stock transaction totaling about 26.3 million shares of the company's common stock. Based on yesterday's closing price of $28.953 per share, the transaction is valued at about $761 million.

"We are committed to building the most vibrant and comprehensive online home and real estate marketplace possible at Homestore.com for the benefit of all of our consumers and professional customers," said Stuart Wolff, Homestore.com's chairman and chief executive officer.

"With this transaction, we're increasing choices for consumers nationwide while continuing to put the real estate professional center stage. This is a giant step forward," Wolff said.

Cendant's chairman, president and chief executive officer, Henry R. Silverman stated:

"Homestore.com has done an outstanding job establishing itself as the leading Internet real estate destination, and we are very pleased to align our expanding New Economy efforts with them."

Added NAR President Dennis R. Cronk: "We are most excited about this latest acquisition because it forges together the expertise, resources and talents of the largest real estate franchises and creates, on one stage, a platform for real estate professionals to provide consumers efficient services in today's complex marketplace.

"This transaction in no way alters NAR's operating agreement with Homestore regarding the Realtor.com site or our interest in Homestore.com.

Realtor.com will continue to be operated for the benefit of all Realtors without any bias or other advantage or preference over other real estate firms," Cronk said.

DOJ looks at new Homestore deal

Acquisition of Move.com leads to widened probe

The federal anti-trust investigation of Homestore.com Inc. has widened.

Now included in the U.S. Department of Justice's investigation is Homestore's nearly $1 billion deal to acquire Cendant Corp.'s Move.com. Another round of civil subpoenas have been issued to Homestore's rivals within the online real estate space.

One of the subpoenas said the investigation is focusing on "exclusionary conduct and monopolization of Internet realty sites in the United States; and Thousand Oaks, Calif.-based Homestore.com's acquisition of Move.com from Cendant," the Wall Street Journal reported.

Although the deal is pending, Inman News reported Oct. 27 that definitive agreements between the companies showed it was paid for with 26.3 million shares of Homestore stock.

The new Move.com aspect of the investigation comes about half a year after the DOJ used the National Association of Realtor's mid-year convention in Washington D.C. as an opportunity to interview other rival's executives and gather information.

With the latest subpoenas, competitors including HomeSeekers.com, HomeAdvisor.com and Homes.com will have to provide details to nearly a dozen multi-faceted questions by November's end as well provide confidential internal documents regarding key aspects of their businesses.

The Homestore-Move deal would give Homestore enhanced access to Cendant's pool of 200,000 real estate agents through its Century-21, ERA and Coldwell Banker franchises.

Cendant is poised to get a 15 percent share of ownership in Homestore. Inman News reported last month the deal was valued at about $761 million, based on Homestore's then stock price of $28.953 at market's close on Oct. 26.

Homestore's per-share today was $37.625, as of 12:52 p.m. (EST).

Move.com not worried

Company unconcerned by DOJ's look at acquisition by Homestore

Despite a second round of U.S. Department of Justice civil subpoenas focusing on Homestore.com Inc.'s acquisition of Move.com, a spokeman for Move.com said the company is not worried.

Move spokesman Ted Deutsch said news of the expanded investigation was not a big deal. "There was language in our (Oct. 27) release about this transaction being reviewed by the Department of Justice," he said.

"So what everybody's reporting about this transaction is nothing new. The only other comment I can make is that we're cooperating and we expect the transaction to close."

Homestore officials couldn't be reached for comment, but have previously denied any wrongdoing and said they have cooperated with the investigation. The DOJ hasn't accused the company of wrongdoing.

Although the deal with Move.com was being looked over, the DOJ isn't directing the investigation solely at Homestore, said DOJ spokesperson Gina Talamona said.

The anti-trust division is also looking at "anti-competitive practices in the online real estate industry," Talamona said.

She declined to name other companies or how many are involved, but the latest subpoenas also cover Homestore competitors, including HomeSeekers.com, HomeAdvisor.com and Homes.com.

The companies were asked to provide answers to nearly a dozen multi-faceted questions by the end of November, as well as provide confidential internal documents regarding key aspects of their businesses.

Under the Homestore-Move deal that sparked the broader probe, Move.com's assets that would be merged into Homestore's offerings. These include Move.com, apartment locator Rent Net, direct marketing company Welcome Wagon, and other Web sites.

The also would give Homestore enhanced access to Cendant's pool of 200,000 real estate agents through its Century-21, ERA and Coldwell Banker franchises.

Homestore's Realtor.com would get exclusive 40-year access to the aggregated listings of Cendant franchises Century-21, Coldwell Banker and ERA. Cendant would also purchase Homestore technology and web-based marketing products and vertical ASP solutions.

Although the Homestore-Move deal is pending, Inman News reported Oct. 27 that definitive agreements between the companies showed the transactions was financed with 26.3 million shares of Homestore stock.

Because Homestore shares closed at $28.953 on Oct. 26, the deal for a 15 percent share in Homestore was valued at $661 million. Homestore was at $38.125 as of 4 p.m. today on the NASDAQ. That share price would place the deal's value at $1.03 billion.

The expanded investigation did not greatly affect analysts' views of Homestore's future.

Credit Suisse First Boston Technology Group initiated coverage of the company today and issued a "buy" rating as well as an improved stock price outlook over a year.

"Based on our discounted cash flow model, we believe shares can easily come to support...$55 a share over the next 12 months. We forecast revenues will grow 200 percent...to $220 million and at least 50 percent in 2001, to $335 million," said Heath Terry, a Credit Suisse First Boston Technology Group analyst.

The investigation of Homestore began with the Federal Trade Commission, before the agency passed it along to the DOJ in August 1999, Inman News reported at the time. Homestore was hit with civil subpoenas for information in April and DOJ officials interviewed online realty executives and gathered information in May at the National Association of Realtors mid-year convention in Washington D.C.

Previously, sources close to the investigation have told Inman News that Homestore's exclusive home listing arrangements with multiple listing services and brokers in "gold" programs, have been at question.

A few key areas being looked at include how Homestore struck its exclusive deals with MLSs and brokers; who encouraged the deals for the Alliance Gold for MLSs and Broker Gold programs and whether the deals gave Homestore a monopoly over home listings.

Homestore officials signed up about 70 of the 200 largest brokers in the U.S. in the Broker Gold, as well as 27 of the 30-biggest builders, the six biggest real estate franchises and at least 750 of about 800 of the U.S.' MLSs.

Exclusive deals were struck in the Boston; Cleveland; Dallas; Denver; Long Island, N.Y.; Philadelphia; Pittsburgh and St. Louis, according to SEC filings. "Preferred" deals were struck in Chicago; Detroit; part of Los Angeles; New York City; and Washington D.C.

Homestore officials also warned in SEC filings that, "If owners of large numbers of property listings, such as large brokers, MLSs, or property owners in key real estate markets choose not to renew their relationship with us, our family of web sites could become less attractive to other real estate industry participants or consumers."

New Realtor.com features

**It's bigger, faster, stronger,
more efficient and more informative**

Realtor.com, the official Web site of the National Association of Realtors, has renovated its Web site, including more photos, virtual tours and detailed property descriptions.

"The improvements we've made to Realtor.com empower consumers to find exactly what they need and to better understand the process of buying and selling real estate," said Realtor.com president Steve Ozonian, in a written statement. "Using our portal gives them access to the largest, most current database of listings available in one location, as well as the most comprehensive directory of real estate professionals in the nation."

Some the new features and enhancements include:

- A homepage download time of 2.7 seconds, beating other top-tier Web sites based on measurements by Keynote.
- Listings arranged by categories includinghomes, new homes, condos, multi-family homes, farms, land and commercial properties. And it's 20 percent faster.
- A nationwide comparable price search that shows historical property sales information for most major markets.
- New and improved neighborhood evaluation tools that allow searches of an area for neighborhoods that match consumers' needs. They then can compare at least 10 neighborhoods and display home values, school rankings, taxes, cost of living data, and demographic profiles. Neighborhoods can be saved to a Home Planner.

Other features include virtual tours and searches for million dollar homes, e-mailed home-listing alerts, a primer on real estate basics**.**

Realtor.com has about 90 percent of MLS listings -- more than 1.4 million new and existing homes for sale. There were more than 295 million monthly views of these listings in Realtor.com's latest tallies, with an average of 9.8 million listings viewed per day. Each listing averaged 191 monthly views.

eRealtor introduced

Homestore, NAR, CB, GMAC and others collaborated on platform

Homestore.com and the National Association of Realtors (NAR) unveiled eREALTOR.com, the first phase of the Realtors Electronic Transaction Platform, at the NAR annual convention in San Francisco last week.

The transaction platform is an innovative online system designed to facilitate and streamline the steps involved in managing the purchase or sale of a home.

It is also the result of a collaboration among industry leaders, including Homestore.com and its subsidiaries, Top Producer and WyldFyre, its joint venture REFormsNet, the National Association of Realtors, GMAC Real Estate and GMAC Mortgage, Fannie Mae, the California Association of Realtors; and Cendant and its Century 21, Coldwell Banker, and ERA brands.

eREALTOR provides an automated scheduling and workflow engine, an order center linked to real estate brokers' key trading partners-- including title and escrow service providers, mortgage brokers, and inspection companies-- and an electronic document storage and transaction archive.

The eREALTOR.com transaction platform enables real estate professionals to leverage the power of the Internet to help customers move from the pre-contract stage through home closing, making it more efficient for all parties involved, a news release said.

Another HomeStore millionaire

PR exec cashes in 35,000 shares for a cool million

The HomeStore juggernaut is making millionaires out of folks who may not have enjoyed such riches in the old economy -- at least not as quickly.

Take Jeffrey M. Charney, HomeStore's vice president for corporate marketing and communications.

Last week, the former Kaufman and Broad Home Corp. executive cashed in 35,000 option shares of the online real estate firm for a payout of $1.08 million.

And he still owns 50,000 shares, putting his remaining holdings at an estimated value of $1.25 million at the current HOMS stock price of $24.

Not a bad payday considering that Charney joined HomeStore just 18 months ago.

Charney is responsible for corporate branding, messaging, public relations, internal communications and advertising programs. He came to HomeStore.com from his position as senior vice president for marketing and communications at Kaufman and Broad.

He was with the Los Angeles-based homebuilder for five years.

Prior to his work at Kaufman and Broad, Charney served as director of advertising and employee communications for Rockwell International. He also worked with the Raytheon Co.

2001: Crooked accounting and executive hubris take hold

Picture this

Homestore buys control over much of iPIX's online realty offerings

Online real estate giant Homestore.com will get significant control over Internet Pictures Corp.'s virtual home tour business, for its $12 million payment to the space leader.

The perpetual asset acquisition agreement, which has no set expiration date, includes existing iPIX sales contracts and license to sell iPIX's virtual tour technology to U.S. residential real estate agents and brokers.

Homestore will also roll iPIX's U.S. residential sales staff into its existing operations and control virtual home tour package pricing.

The deal will also include a revenue split from sales of virtual tours that iPIX officials would not discuss. But iPIX will collect a combination of fixed and adjustable fees, and be paid for services such as sending out photographers from its Images Services Corp. subsidiary to record images, for hosting, distribution and development.

"We're just ecstatic about this deal," said Stu Roberson, iPIX vice-president of marketing. "It's been a long time in the making. This is part of a strategy we set in place back in October."

Oak Ridge, Tenn.-based IPIX, which has a similar deal in place with E-Bay, joins other companies in the online realty category that have developed significant relationships and partnerships with major players, such as Homestore, which recently acquired Cendant Corp.'s Move.com.

Other such deals have mostly involved online mortgage lenders buddying up with financial services firms, such as E-Loan.com Inc. and Schwab, and LoansDirect.com and E-Trade.

IPIX officials said the deal will bring several positives to the financially struggling company, including better access to customers through Realtor.com and the National Association of Realtors, a $12 million cash infusion and elimination of an expensive sales and marketing staff.

It will also sharpen the firm's focus on the technology side of the virtual tour industry, officials said.

The virtual tour company was down to about $1.668 million in cash on-hand at the end of third-quarter 2000, according to filings with the U.S. Securities and Exchange Commission. Although revenues surged to $17.218 million in third quarter 2000 -- a 370 percent gain from third-quarter 1999 -- losses hit $37.712 million for the most recent quarter. IPIX's total losses were at $226.337 million.

The Homestore deal will create valuable savings for the company in an environment where dot-com and technology companies are trying to slash expenses. Its sales and marketing costs hit $22.279 million in third-quarter 2000 and $60.778 million through 2000's three financial quarters.

Homestore's total losses were about $236.7 million through third-quarter 2000. Third-quarter 2000 revenue was $62.203 million, compared to $20.651 million in the same period in 1999, and was $150.954 million through three quarters of 2000. Revenue through three quarters of 1999 was at $45.306 million.

Today's news had little effect on the companies' stock prices. Homestore gained 5.2 percent on the day, to close at $25.25 per share, while iPIX increased 2.6 percent, to $1.22. IPIX is the result of a 1999 merger between bamboo.com Inc. and Interactive Pictures Corp.

Homestore officials didn't return phone calls today. But in a written statement, CEO Stuart Wolff said, "This deal will expand our ability to deliver virtual tours on behalf of our industry clients."

Analysts were mixed in their views of the deal.

"It's an important deal for IPIX, but it's not earth-shattering," said Sasha Zorovic, an analyst FleetBoston Robertson Stephens Inc. in San Francisco. "The stock isn't going to double or anything like that. This is good news, but incremental.

"They (iPIX) weren't in a position where they badly need the cash, but they did need it because they want to be cash-flow positive as they try to achieve profitability."

He said iPIX benefits by getting a major partner, dropping its hefty sales and marketing expenses and adding cement to its technology's hold over the virtual home-tour space as tours become a more expected feature among consumers.

"It used to be nice to have virtual home tours," said Zorovic. "But now it's a must-have."

With about 800,000 Realtors and about 1.4 million listings at Realtor.com at any given time, the virtual-tours could be a revenue bonanza for Homestore.

"Demand for virtual tours is up dramatically," said Roberson.

Still, others worried that Realtors may have fewer service options.

"It raises the question: Will Realtors have a choice between (virtual tour) vendors, and ultimately will consumers have a choice, so they can get the best service available?" said Nick Karris, an online real estate analyst with Gomez Advisors. "IPIX is the biggest, but are they the best?"

Despite holding sway as the dominant force within the virtual home-tour space, Karris said, IPIX has weaknesses, including higher costs than competitors, image quality and the speed at which images make it to the Internet.

Mollie Wasserman, a broker with Keller Williams Realty in Boston, said she also was worried that Realtors would have fewer choices in picking a virtual-tour provider.

"If you're paying for a service, you should have a choice of vendors," said Wasserman. "I think this takes agents for granted."

She said iPIX, compared to regional companies that provide similar services, is pricier for fewer images online, can take as long five days to get images posted, which in exceptionally hot markets can lead to situations where homes are sold before their images hit the Web -- and agents still have to pay for the services.

She said iPIX requires a listing to be entered into a Multiple Listing Service -- which automatically forwards it to Realtor.com -- before it will process an order to produce a tour.

If Realtors use rival services, Homestore and Realtor.com's policies require them to buy special Ilead Web pages for $250 to $350 a year to place the image.

"They say you can pick (iPIX's) competitors, but the caveat is that you have to have ILead pages," said Wasserman. "They say it's your choice, but you have to pay a lot more for it and you get less."

On speed issues, Roberson said iPIX is implementing a new image capture platform and other policies that should accelerate the time lag between a listing hitting an MLS and when a tour can be posted.

He said iPIX can also cut the effort needed to capture home images.

Tech-savvy Realtors could face a $49.95 price for self-service images, compared to $99.95 for full-service.

"As technological improvements continue, and as real estate agents and brokers become more comfortable with technology, you will see an increase in self-service," said Roberson. "You can capture a virtual tour in just two shots."

Homestore, HomeBid in talks

Sources say acquisition by online realty giant is close

Homestore.com and HomeBid.com are in negotiations for the online real estate giant to acquire the online auction and transaction management technology provider, Inman News has learned.

Homestore officials would neither confirm nor deny the report. HomeBid officials would not discuss reports of a pending deal but refused to deny them.

"All I can say is no comment," said HomeBid CEO Kevin Hickey. "I am not confirming anything. It's just business as usual for us.When and if anything happens, we publicize it through the regular channels as usual."

Thousand Oaks, Calif.-based Homestore has been on a major acquisition binge in the last few months, gobbling up a variety of major players in the online realty category.

The acquisition of Cendant Corp.'s Move.com, an all-stock deal for about 26.3 million shares and worth roughly $763 million, recently won shareholder approval and awaits federal regulatory approval before its listings, relocation and mortgage services are rolled into Homestore's offerings. The company gets access to Cendant's 200,000 agents via its Century-21, ERA and Coldwell Banker brands.

Homestore also acquired significant control over Internet Pictures Corp.'s virtual home tour business for $12 million. That deal -- an asset acquisition agreement without an expiration date -- includes existing iPIX sales contracts and license to sell iPIX's virtual tour technology to U.S. residential real estate agents and brokers.

The Web realty giant also picked up leading agent productivity software provider Top Producer for $24 million last year.

Scottsdale, Ariz.-based HomeBid, founded in 1998, was a real-time online realty auction firm for consumers. It switched to a business-to-business model, featuring licensing of its online bidding technology to real estate brokerages and Web sites, last year after its model performed poorer than expected.

The first e-auction, back in June 1999 in the Scottsdale-area, sold a single home. Another 30 out of 163 sold -- for about $6 million total -- sold in either a nine-day pre-auction period, or in post-auction activity.

A second auction sold 32 homes in Las Vegas for between $57,000 and $1.6 million each, but nothing sold in the real-time auction period. Most sold a day and a half before the auction started.

HomeBid announced its business shift in January of last year. In September, HomeBid purchased Web developer Internet Strategy Inc.'s transaction management tools. Combining its own technology and ISI's tools, HomeBid began recently offering Offer Manager.

While drawing on some of HomeBid's elements from its old days of real-time Web-based auctions, the service will allow homes to be listed through a Web site, consumers to make offers, and negotiations.

Among its features, it allows listing agents to accept, counter or set a "countdown" period on a home, which allows interested buyers an additional opportunity to respond to offers on the table. Its notification system keeps parties updated by delivering e-mail and text messages to phone or pagers.

Updates reflecting higher bids will be available, unless bidders request their offer not be publicized. Bidders will get e-mail alerts if higher bids come in that give a one- or two-day timeframe to respond with new offers or lose out.

Buyers can also include and negotiate any other terms of their offer online.

It also works with title and inspection companies and other service providers, and sends alerts to all parties, schedules and manages the completion of items needed for closing, and creates and routes electronically-storable reports. Brokers and agents can work with whichever partners they choose over a secure transaction network, and the Web.

In May of last year, HomeBid began making some of its services available through Wireless Application Protocol-enabled cell phones and personal digital assistants.

Hickey said unlike many online realty firms, HomeBid has done solidly financially and is maintaining about 50 employees.

After netting one of the biggest online realty funding pies of about $46 million in early-round financing from venture capitalists, HomeBid secured yet another round from its investors in January of this year. Investors include Chase Capital Partners, Accel Partners and Canaan Partners.

"That's almost unheard of, especially in this space," said Hickey. "It was a very positive message, it's three very strong VCs. No one would give us funding in this (overall) environment if they didn't think something positive would come out of it."

Hickey said Coldwell Banker and Prudential real estate offices have been putting Offer Manager to use in greater and greater numbers.

HomeBid's Offer Manager was nominated in October for an Inman Innovator Award as Best Web Residential Application or Feature.

Homestore execs cash out

Several sell more than $1 million in stock

Several Homestore.com executives and notable stockholders cashed in on the company's stock during January.

The biggest moneymaker was Peter Tafeen, executive vice president of business development. Tafeen sold 95,000 shares for estimated proceeds of nearly $2.9 million, according to records published by Yahoo! Finance.

Homestore general counsel David Rosenblatt sold 70,000 shares worth $2.1 million. John Giesecke, the real estate portal's chief financial officer and secretary, sold 40,000 shares of stock for proceeds of $1.2 million.

Other sellers included Catherine Kwong Giffen, senior vice president of human resources, and Jeffrey Charney, vice president of marketing and communications. Charney and Giffen each sold 30,000 shares for proceeds of about $900,000.

Joseph Shew, Homestore's vice president of finance, also sold $740,500 worth of stock in early Febuary.

Other large or notable shareholders who sold shares last month include the Ford Foundation ($2.5 million), Realtor.com co-founder Richard Janssen ($1.5 million), Yale University ($740,000) and former Netscape CEO Jim Barksdale ($30,000).

Homestore.com's stock price has remained remarkably bouyant for an Internet company, despite a throng of dot-com layoffs and failures in recent months.

By mid-day Friday, HOMS stock was selling at $28.63 per share, substantially higher than the opening price of $20 per share in August 1999.

Moving along

DOJ gives green light to move.com acquisition

The U.S. Department of Justice won't oppose Homestore.com's acquisition of Cendant Corp.'s move.com Web site, according to the companies. The acquisition is expected to close Feb. 20.

Meanwhile, the Homestore.com aggregate family of Web sites held onto its top ranking in Media Metrix' home and real estate category for the 24th month in January 2001 by attracting more than 5 million unique users to its Web sites, according to data released by Media Metrix and announced by Homestore.com.

The record-setting performance represented an increase of 53 percent in user traffic compared with the network's December 2000 performance, although December is seasonally a slower month for user traffic.

The DOJ is continuing its investigation of certain Homestore.com agreements, including certain agreements between Homestore.com and Cendant, and has indicated that it will endeavor to resolve the investigation as quickly as possible. Homestore.com is continuing to cooperate in providing information with respect to that investigation, according to the company.

Homestore.com's family of Web sites includes Homestore.com, REALTOR.com, HomeBuilder.com, SpringStreet.com and HomeFair.com.

Done deal

Homestore completes acquisition of Move.com

Homestore.com's acquisition of Cendant Corp.s Move.com business unit is officially a done deal, according to a Cendant statement this morning.

Cendant expects to record a pre-tax gain in excess of $525 million on the sale, and now owns about 21.5 million shares of Homestore.com common stock, a 19 percent stake in the company and valued at about $790 million based on the Friday's closing price of $36.625 per share.

Richard A. Smith, chairman and CEO of Cendant's Real Estate Division, will be appointed to Homestore.com's board of directors.

"The benefits of this transaction are threefold: It delivers a great return on our investment in Move.com, eliminates the need for future cash investment in this business and continues to provide the expertise of an Internet industry leader to enhance the Web-based technology and related services we offer to our franchisees and their customers," said Cendant's top executive Henry R. Silverman.

Homestore-Move deal closes

Move's products and services to be integrated over next 90 days

Homestore officials made their nearly $700 million acquisition of Cendant Corp.'s Move.com final in their own way today.

During a conference call with journalists and financial analysts, consumers accessing Move.com also found a pop-up window with links for Homestore.com and a press release regarding the acquisition.

Company officials said that over the next 90 days Move employees, products and services will be shifted to Homestore and its family of Web sites. Officials are still considering whether to rename some products or services.

"Combining the Homestore network with Move.com expands our reach and leadership position in the space," said Stuart Wolff, CEO of Homestore.

The home-listings company received federal approval for the acquisition only recently, and Homestore officials said they were hopeful that regulatory approval was a good sign as the U.S. Department of Justice winds down its anti-trust investigation of the company.

The acquisition was a pure stock deal, with Cendant getting about 26.4 million shares, or a 19 percent stake, in Homestore, whose stock slipped 7.17 percent in price today, to $34.

Homestore will also have a three-year deal with Cendant Mobility and NRT Inc. to provide products and services.

Also, Wolff said, the acquisition will allow the extensive rental listings and services of Homestore's Springstreet and Move.com's RentNet, to be combined as a "mega-rentals" site and a "first-time clear leader."

Integrated into Homestore will also be House Net, Senior Housing Net, and Self Storage Net, as well as Move.com's direct marketing company, Welcome Wagon.

The acquisition gives Homestore key access to Cendant's three realty franchises, ERA, Century-21 and Coldwell Banker, which are involved in about one-fourth of all U.S. transactions.

About 10 percent of Cendant’s roughly 190,000 real estate professionals and are subscribers to Homestore's products and services, which make up more than 60 percent of Homestore's 2001 revenues.

Wolff said Homestore could see its subscriber base surge to "the millions" if realty professionals, including builders and real estate investment trusts, came on board.

Homestore will roll out its transaction management system in second-quarter 2001 in a few test markets.

Homestore officials are expected to look closely at Move.com's general administration and sales and marketing expenses. It was not immediately clear how Move.com employees would be affected by the deal, and what would be done with the company's San Francisco headquarters.

Cendant expects to record a pre-tax gain in excess of $525 million on the sale of Move.com to Homestore.com.

"It's a win. It puts the wind at their backs.This further makes Homestore the de facto place to go," Shawn Milne, an analyst with Wit Soundview in San Francisco who covers Homestore.

"They're not just another dot-com. This will significantly extend Homestore's model out to the real world, to the ranks of Century-21, Coldwell Banker, and ERA, and get more of their brokers and agents using more of their products.”

Nick Karris, an online realty analyst with Gomez Advisors, called the deal a significant "partnership of two industry giants" and creates a greater concentration of services and products for consumers and realty professionals.

Homestore buys HomeBid

Listings giant to add Office Manager technology to eRealtor.com

Homestore.com has acquired substantially all the assets of Homebid.com, an application service provider specializing in Web-based tools for the real estate industry.

The purchase includes the intellectual property rights for Homebid.com's Offer Manager technology, which allows real estate professionals to manage offers and negotiate home sales online.

Offer Manager is expected to become part of eRealtor.com, an online real estate transactions system that Homestore.com is developing with the National Association of Realtors and several other companies.

eRealtor.com will provide an automated scheduling and workflow engine, an order center linked to affiliated real estate service providers and an electronic document storage and transaction archive, among other functions.

A customized version of eRealtor.com for individual brokers is scheduled to be launched later this year.

"Homebid.com has established itself as a pioneering developer of online offer and negotiation products for real estate professionals, and these tools provide a natural fit with Homestore.com's Web-based solutions, especially the eRealtor.com platform," said Stuart Wolff, chairman and CEO of Homestore.com.

Westlake Village, Calif.-based Homestore.com operates the Realtor.com, HomeBuilder.com, SpringStreet.com and HomeFair.com Web sites.

The company's technology subsidiaries include WyldFyre Technologies, a developer of software used to access MLS data and property photos, Top Producer Systems, a provider of leads management and marketing software for real estate sales associates, and The Hessel Group, a provider of technology-driven products and services for the relocation industry.

Sale of stock

Homestore's execs cash out large blocks of shares

Several Homestore.com executives and notable stockholders cashed in on the company's stock during February.

The biggest moneymaker was Richard Janssen, a Homestore director and founder of the company's flagship Web service, Realtor.com.

As shareholders, Janssen's family sold 100,000 shares for estimated proceeds of about $3 million, according to records published by Yahoo! Finance. As a Homestore director, Janssen sold an additional 15,000 shares worth about $426,000.

Janssen also sold another $1.5 million in stock during January.

Other sellers during February included Catherine Kwong Giffen, SVP of human resources, who filed to sell 15,000 shares for proceeds of about $450,000. John Giesecke, Homestore's COO, filed to sell 20,000 shares for about $600,000.

Joseph Shew, Homestore's VP of finance, also sold $740,500 worth of stock in early February.

Homestore.com's stock price has remained strong through early 2001. By Tuesday, HOMS stock was selling at $28.13 per share, a gain of 53 percent from its Jan. 1 closing price of $18.50.

The company apparently got a boost this week when Goldman Sachs analyst Anthony Noto upgraded the firm to the company's Recommended for Purchase List.

Noto called the company the "best defensive name in the Internet sector," according to a report published by TheStreet.com.

Listings pulled off bank site

BofA seeking answers from Homestore

Online real estate giant Homestore has pulled all its resale home listings from Bank of America's recently-launched Home Solutions Web site, a spokesperson for the bank said.

Both companies last week announced a multi-year marketing agreement through which Homestore would provide property listings and other information for the Home Solutions site, which was launched simultaneously.

Julie Davis, a Bank of America spokesperson, said resale listings--which represent the majority of residential properties sold in the United States--were part of the agreement.

"We understand that those are not available right now, although they were part of that partnership," she said.

Davis said the bank did not know why the listings were pulled and was trying to get an answer from Homestore on Monday. "We're just trying to get our arms around just where that is," she said.

Representatives of Homestore could not immediately be reached for comment.

Homestore and Bank of America signed a $10.5 million marketing agreement that gave the bank's online customers access to Homestore's property listings, which include 1.4 million new and existing homes, according to the company.

Shares of Homestore rose more than $5 per share since the alliance was announced. However, the agreement and its timing appear rather odd.

Homestore is owned in part by the National Association of Realtors, whose Web site, Realtor.com, is operated by the online real estate company. NAR is currently in a battle to prevent major banks – such as Bank of America – from entering the real estate business.

The Federal Reserve and the U.S. Treasury are currently considering a proposal that would allow banks to provide real estate brokerage and management services.

NAR and other real estate groups say major banks could soon dominate the real estate industry and trap consumers into paying excessive fees. Yet banking groups contend that banking institutions' providing both home financing and properties for sale would save consumers time and money.

In announcing the Homestore agreement, Bank of America officials said they planned to provide customers with an "end-to-end" homeownership service, repeating a phrase used by the banking industry in its campaign to enter the real estate brokerage business.

NAR spokesperson Steve Cook said he was unaware of any communication between the Realtor group and Homestore regarding the Bank of America alliance. However, he called the timing of the alliance "an interesting coincidence, to say the least."

"I'm not aware of any pressure we put on Homestore on this issue," Cook said. "As far as Realtors and brokers around the country, I can understand why some of them would be upset."

Cook said details of the Bank of America agreement were not discussed with NAR prior to the announcement. "The issues that involve Realtor.com directly, they're obligated to let us know," he said.

Cook said he was unaware if anyone from NAR pressured Homestore to remove listings from the Home Solutions site.

Besides Realtor.com, Homestore also operates HomeBuilder.com for the National Association of Home Builders, which has joined NAR to keep banks out of real estate. HomeBuilder.com listings can be found on the Bank of America Home Solutions Web site.

Bank of America's Davis said resale listings were important to Bank of America's online strategy. "That's one of the things that consumers want... and that's something we want to provide for them," she said.

Based in Charlotte, N.C., Bank of America is one of the largest U.S. banks with more than 4,400 branches nationwide. The bank also claims to be a leading online banker with 3.2 million customers using the company's Web services.

As for what steps the bank might take to get resale listings back on the Home Solutions site, Davis said it was "definitely too premature to speculate."

Traffic wars

Real estate dot-com giants Homestore.com, HomeAdvisor both claim to be "most popular"

The fur has been flying in a cat fight this week between Homestore.com, which operates a group of home and real estate-related Web sites, and Microsoft Corporation, which operates MSN HomeAdvisor, an online home and real estate guide.

The flurry of press releases containing claims, accusations and counter-accusations began a week ago on inauspicious Friday, Apr. 13, when Microsoft Corporation announced that MSN HomeAdvisor "had surpassed Realtor.com as the most-visited home and real estate site on the Web, according to figures released yesterday by Media Metrix, Inc." HomeAdvisor's announcement reported data from Media Metrix showing that "HomeAdvisor ranked first with 3.6 million unique users, followed by Realtor.com with 3.3 million and Homestore Sites (which includes Move.com) with 3.25 million."

Later that day, Homestore issued an announcement that it "attracted 9.6 million unique users in aggregate to its family of Web sites during March 2001, a 14 percent leap from last month, according to March 2001 home/work panel data just released from Nielsen/NetRatings. In contrast, Homestore.com's nearest online real estate competitor attracted only 3.2 million visitors in March."

The same announcement stated that Realtor.com, which is operated by Homestore.com, "recorded historic unique usership as measured by Nielsen, logging 4.87 million unique users for March, up 30 percent from February, retaining its ranking as the number one real estate Web site."

The final paragraph of Homestore's press release states: "Homestore is also a category leader according to Media Metrix, another independent traffic measurement service, reporting 7.2 million unique users in March, well ahead of its nearest online real estate competitor, which attracted 3.6 million unique users."

That was Friday.

On Monday, Homestore.com issued a second statement, this one "challenging published claims made by Microsoft Corp."

This press release outlined a number of "documented practices by Microsoft that Homestore believes are misleading." Specifically, Homestore accused Microsoft of padding its traffic numbers by "including the word 'HomeAdvisor' in URLs unrelated to the HomeAdvisor site." (A URL, Uniform Resource Locator, is the address that points to an individual Web page.) As an example, Homestore's press release stated, "when a user clicks on 'Classifieds' from the MSN homepage, that user is taken to a general page on classifieds that includes everything from personals to automobiles, yet that user is counted as a 'home and real estate' HomeAdvisor unique user."

That was Monday.

On Tuesday, HomeAdvisor reportedly stood behind its numbers, pointing to Media Metrix as a reliable source of such information.

That was Tuesday.

Two days later, on Thursday, Apr. 19, the National Association of Realtors, which represents nearly 760,000 Realtor members, added its own press release to the growing pile. Realtor.com is billed by Homestore.com as "the official site of the National Association of Realtors and the largest Web site for Realtors and their listings."

NAR's announcement aims to bolster Homestore.com's claim to the "most popular" title. In its statement, the association said it has "assured its members that Realtor.com remains the number one real estate site in traffic, listings and time spent on the site, and urged Realtors to ignore misleading claims by competitors."

The NAR press release goes on to report "the latest numbers" from Media Metrix, saying "Realtor.com received 2,847,000 unique visits in February."

NAR President Richard Mendenhall added his voice to the reassurance statement, saying, "Realtors should not be confused by competitors' inflated claims. It's clear that no matter how you analyze the numbers, Realtor.com is the category leader."

Later on Thursday, a spokesperson for HomeAdvisor pointed out that NAR's statement refers to February's figures even though Media Metrix has already released March's numbers.

That was Thursday.

So, is HomeAdvisor now bigger, better and more popular with the public than Homestore.com? Or is Homestore.com still firmly in command of the top spot? The answer isn't readily apparent from any of these conflicting—and quite possibly unreliable--numbers.

A "picture-perfect solution"

Homestore.com to accept virtual tours from multiple vendors on Realtor.com Web site

Homestore.com today announced it will launch a new program to allow real estate brokers and salespeople to post virtual tours from multiple tour operators on the Realtor.com Web site operated by Homestore.com.

Homestore.com already has agreed to work with two additional virtual tour providers, ImageMaker360, a division of Access Technologies, and VideoHomeTours.com on a test basis in an attempt to offer more imaging options to the real estate industry.

Homestore.com said its goal is for agents to be able to enhance their listings with the tour technology of their choice to attract more viewers to their online property offerings.

Homestore.com said it would begin accepting virtual tours from other qualified technology providers in the next few months. The virtual tours will be promoted on Realtor.com in the form of icons on the individual listings.

"We're committed to helping professionals accelerate the growth of virtual tours across the Internet to better serve the millions of consumers viewing properties online," said Steve Ozonian, Realtor.com president. "Virtual tours deliver a more informed and interested home buyer to our customers. It's a picture-perfect solution for Realtors."

During the test period, Homestore.com will collaborate with various tour operators, including Boca Raton, Fla.-based ImageMaker360 and Chicago-based VideoHomeTours.com, to develop the functionality and quality guidelines for accepting other technologies on the Homestore.com Web sites. The company will being integrating these other technologies during the next 90 days.

Save the searches

Realtor.com to give iLead subscribers summaries of criteria prospects used to search among homes

When the Expo section of the National Association of Realtors' Mid-Year Meetings officially opened yesterday afternoon, Realtors caught a preview of a service that will be introduced next week by Realtor.com, the Homestore.com and official NAR Web site.

The service, XLerator, is a no-additional-cost feature of Realtor.com's iLead product and is designed to "turn millions of Web surfing home shoppers into business opportunities for Realtors," said Jonathan Greenblatt, Realtor.com director, product management.

The service enables iLead-subscribing Realtors to view histories of search criteria used by prospective home buyers and sellers on Realtor.com. The collected search criteria are the date of the search, preferred communities, price range, property type, number of bedrooms and bathrooms and square footage. No personal or financial information is collected or added to the search histories.

Realtors can specify one or more geographic areas within their own MLS, then review prospects' search histories and customize a basic offer of services for each prospect. The prospect remains anonymous until he or she decides to contact the Realtor directly. The idea is that one-time searchers and prospects using overly broad search criteria, for example, could be ignored while prospects searching for a specific type, size and configuration of home in a reasonably narrow price range could be directly targeted by the Realtor, Greenblatt suggests.

"Consumers can share their search info anonymously with Realtors, who can provide customized offers of their services," he said.

XLerator (pronounced as "accelerator," according to Realtor.com) saves 60 days' of searches by prospects who searched for a home on Realtor.com within a seven-day period.

The service is designed to be consumer- and Realtor-friendly, Greenblatt said, while demonstrating its functionality at Homestore.com's Expo booth yesterday afternoon.

The service gives Web surfers control of their search histories through an "opt-in" check box that appears on the search criteria form each time a search is performed, Greenblatt said. XLerator stores permanent cookies on prospects' computer, but doesn't capture names or e-mail addresses. The Realtors' offers pop up for viewing the next time the prospect returns to Realtor.com.

XLerator is "far more targeted and cost efficient" than direct mail marketing and is designed to be customizable and easy to use, Greenblatt said.

The service features a bonus for listing agents. If a Realtor.com Web site user elects to "save" a particular for-sale home and the listing agent is an iLead subscriber, the prospect's search history information will appear in red at the top of the agent's list of search histories for the geographic area where the home is located. The listing agent will have an exclusive 72-hour window during which to post an offer of services for that prospect before his or her search criteria appear in other agents' search histories. That functionality is intended to give the listing agent a "head start" on responding to people who expressed an interest in that Realtor's own listing, Greenblatt explained.

Two other functions are intended to prevent Realtors from blindly soliciting one another's spoken-for business prospects, Greenblatt indicated.

A prospect who answers yes to the question "Are you currently working with a Realtor?" on the search criteria form will be removed from the XLerator service.

If a prospect attempts to chat with, send an e-mail message to or "save" an iLead-subscribing Realtor's profile, that prospect will be pulled out of XLerator.

Whether Realtors will wholeheartedly embrace XLerator—remains a question for the future. The limiting factor, as Greenblatt freely admits, is that the Realtor (or a marketing coordinator or assistant) is required to log on to use the system and take the time to review the search histories and post offers of services.

New products on tap

Homestore announces XLerator, iLead XL, and more

Washington, D.C. – Homestore.com is working on a number of new products for real estate practitioners that will be launched in the coming months, according to Steve Ozonian, president of Realtor.com, who spoke to the National Association of Realtors' board of directors during its closing session here Saturday morning.

"We have some new products that are coming out shortly and we announced one of them here this week," Ozonian said.

The product previewed last week at NAR's Mid-Year Meetings is XLerator, an iLead enhancement that enables iLead-subscribing Realtors to view some home shoppers' search criteria without knowing their identity.

"Consumers (will) raise their hands and say to the real estate community, 'I would like to hear from you. I would like to find out what you have to offer,'" Ozonian said. "This product will provide early insight into the way consumers are thinking about what they want in a real estate transaction."

More than 300,000 Realtors use iLead, the next version of which, iLead XL, will be launched later this summer, Ozonian added. "This product will provide more value so everyone can understand how their valuable dollars attached to these products are feeding back to them in terms of traffic and the kind of lead generation that I know everyone would like to see," he said.

Other yet-to-be-announced products are under beta test and expected to be launched sometime this summer, according to Ozonian.

Ozonian also noted that Realtor.com will be allowing real estate practitioners to post for-sale home video tours from third-party providers on the Web site.

"We are developing standards and policies around open-platform access with other virtual tour providers, so you (will) have the best options available to you in your market," he told the Realtor audience.

Realtor.com, which aggregates for-sale homes data from more than 800 MLSs, is investing millions of dollars to achieve real-time updating of listings on the Web site, Ozonian said.

"We are updating well over 1 million properties a day, but the process is not good enough yet. We want the data to be as real-time as possible," he stated.

Ozonian referred to a statement Realtor.com issued on Friday with respect to linking, framing and Internet Data Exchange (IDX). He said framing and linking to Realtor.com will be available "very shortly" and will be free of charge as long as certain to-be-announced rules and standards are followed. The guidelines are intended "to protect the integrity and the quality of the listings data," he said.

IDX products that will enable broker reciprocity are under development and expected to be launched later this summer as well, Ozonian stated.

Following his speech, Ozonian presented an enlargement of a $25,000 check from Homestore for the Realtors Political Action Committee to R. Layne Morrill, a Realtor from Kinberling City, Mo., and RPAC's Fundraising Chair.

Separately, NAR President-Elect Martin Edwards said that the association's Realtor public awareness and Realtor.com advertising campaign was resumed in March "in time for the 2001 home-buying season." The Realtor.com ad shown at the directors' meetings featured Realtor.com's logo, and the tag line: "A place to start when you start looking for a home."

FIRETAP goes out

Homestore.com to take $6-9 million charge over FIRETAP closing

FIRETAP Communications, a provider of broadband communications and enhanced communications services, will cease substantially all operations by the end of June, according to Web-based real estate service company Homestore.com, an early investor in FIRETAP.

Homestore.com said today it will take a one-time charge of approximately $6 million to $9 million in the second quarter as a result of FIRETAP's closure. Homestore.com said the majority of the non-operating charge it will take will be non-cash.

The FIRETAP investment accounted for significantly less than 1 percent of Homestore's first-quarter revenue, the company said in a statement.

Homestore.com, the National Association of Realtors and a number of private investors launched FIRETAP Communications in May 2000 to provide high-bandwidth technology services to real estate brokerages, sales associates and MLSs.

In November 2000, Denver-based FIRETAP announced an agreement to offer telecommunications access through the Multiple Listing Service of Northern Illinois, which has more than 28,500 members. Last month, FIRETAP announced the addition of wireless LAN services to its product line.

As of this morning, FIRETAP's Web site had been replaced with a notice declaring the site "temporarily unavailable."

Home Movie

Homestore.com produces hour-long documentary on quirky homes, homeowners

When Homestore.com CEO Stuart Wolff saw what a million bucks had bought him to produce a single high-concept television spot, he wasn't pleased. He knew there had to be a more interesting way to sell Homestore's concept of hearth and home to the public. So Wolff, a passionate film fan who sees an average of two films each week, decided to produce a movie. Not just any movie, mind you: An hour-long documentary that premiered in January at the Sundance Film Festival, the epicenter of cutting-edge media.

Working in tandem with ad agency TBWA/Chiat Day and production company Independent Media, Wolff hired filmmaker Chris Smith, a past Grand Prize winner at Sundance, to direct a movie about the emotional and personal connection to home.

The end product, *Home Movie*, is about as unlikely a source for a marketing campaign as the real estate industry has ever seen. Probing the lives of five American homeowners, *Home Movie* ventures onto the Louisiana houseboat of an alligator wrangler, down a nuclear missile silo in Kansas where a young couple goes "above ground" to mow the roof, up the branches of a Hawaiian tree house inhabited by a former Japanese sitcom star and deep into the retro-styled abode of an Illinois engineer, whose love for gadgetry could be equaled only by the cartoon character George Jetson.

"We wanted to create something that would be inspirational to homeowners and reflect just how personalized a world the home really is," said Wolff. "Obviously, it was risky, and we had no idea if it would yield any value. But since we don't have the ad budget that Budweiser or Proctor and Gamble does, it was an experiment that appeared worthwhile, as long as a filmmaker with vision and sensitivity to the subject matter was involved."

The collaboration between an independent filmmaker and a multi-million dollar corporation was an unusual one. Yet Homestore.com took a hands-off approach to the movie, allowing Smith creative control over the process.

"Chris has a genius for bringing out what makes people individuals," Wolff said, "and to interfere with his creative process would have been really stupid. At the same time, we do have shareholders, and we had to have a worthwhile product from the company's perspective. As it turned out, *Home Movie* is completely reflective of our brand identity, and it makes a positive statement about society that we're all very proud of."

Wolff's gamble may have already paid off. Produced for roughly the same amount of money as the initial television spot, *Home Movie* has already spun off six ads and is about to wrap up a distribution deal to screen in movie theaters and on cable television, producing an ongoing source of revenue that a single television ad could never generate. The film will be first shown to the real estate industry later this month at Real Estate Connect, a real estate and technology conference produced by Inman News Features.

The personal touch that *Home Movie* champions underscores Homestore.com's mantra that there's a home for every buyer, even Bob Walker and Francis Mooney, who, as Smith's camera revealed, built a "black-light clubhouse" in their closet and gave over their dwelling to their 11 cats.

"The homeowners in this film are very self-confident and they inspire you to change your own living situation if you're not satisfied with it," Wolff laughs. "I mean, you don't just buy a nuclear missile silo as is (as Ed and Diana Pedan in *Home Movie* did). You put years of life lessons and your own experiences into adapting that kind of space. At the end of the day, this film is as much about breaking down walls in our minds as it is about physical structures."

Homestore.com researched nearly 1,000 homes before selecting the five non-traditionalists profiled in *Home Movie*, including the film's unofficial star, gator wrangler Bill Tregle, who picks up anchor and "floats off to a different swamp" when he tires of his neighborhood. Using field teams to photograph, video and catalog potential homes, they sought out quirky addresses that bore the stamp of their owners.

They avoided *Architectural Digest*-ready urban palaces because as Wolff said: "We didn't want to find people who had interesting homes just because of wealth. A big home doesn't necessarily mean it's an interesting home. The best stories were from people of modest means whose homes were examples of empowerment and a belief in themselves--that's what Homestore.com is all about."

Will *Home Movie* inspire a new trend real estate marketing? If Wolff has his way, the film will serve as an example, however small, of the bridges between new technology, entertainment and real estate. "You wouldn't think there are touch points between a documentary film and real estate," Wolff said, "but people said the same thing about using new technology before Homestore.com came online. I think our role in the industry is bridging the gap between these different worlds. We're storytellers, and the home is one of the most emotional, personal and inspirational stories we ever get to tell. Just like this movie."

I-LEAD XL introduced

Homestore.com rolls out latest version of its lead generator product

Homestore.com Inc. today announced the launch of i-LEAD XL, the next version of its i-LEAD online lead generation and marketing product.

I-LEAD XL is designed to help real estate offices and agents market their services online.

The original i-LEAD products gave real estate offices and sales associates the ability to create a visible and personalized Web presence on Realtor.com, the official Web site of the National Association of Realtors. Agents and offices could automatically display their listings from the MLS on their own Web site, customize a listings and profile page and add photographs and custom advertising copy.

"In addition to being one of our largest technology launches to date, i-LEAD XL is coming along at an exciting cultural convergence," said Stuart Wolff, chairman and CEO of Homestore.com. "Fifty-six percent of consumers looking for homes now begin their search on the Internet. Additionally, agents and brokerage offices are demanding the best technology tools, and they understand how products like i-LEAD XL can help increase sales, productivity and consumer satisfaction."

i-LEAD XL includes a lead generation and prospecting tool, a personalized customer home search and interaction tool, customizable Web pages highlighting personal and community information with listings and links displayed within the agent's i-LEAD XL Web site and a control panel for account management functions.

i-Lead XL: More services, higher prices

Homestore.com unveils i-Lead XL product forreal estate offices, sales agents

Beginning today, subscribers to Realtor.com’s i-Lead service automatically will have access to what has been rechristened i-Lead XL, an expanded service with more personalization, easier-to-navigate management tools and several additional features, according to Homestore.com Inc., which operates the Realtor.com Web site.

The updated version of i-Lead comes two years to the month after its original launch in 1999.

The new features include:

- Realtor.com Reporting, a tool for tracking individual listing and personal Web site traffic,
- Home Finder, a personalized customer home search and interaction tool,
- Showcase Tabs, customizable Web pages highlighting personal and community information with listings and links displayed within the agent's i-Lead XL site,
- a single Control Panel for all account management function with a single log-in area and
- XLerator, a service that enables i-Lead-subscribing Realtors to view some home shoppers’ search criteria without knowing their identity. XLerator made its debut in April.

"We have built such a strong product that it is a must-have," said Clay Aldrich, senior product manager for Homestore.com. "It’s easy to use and low-maintenance and it’s connected to the most trafficked real estate site on the Internet."

Aldrich touts Realtor.com Reports as one of the most important elements of the new i-Lead XL because it enables agents to see marketing statistics at a glance, including such information as how many people are viewing an office's or agent's Web site and listings. The new reporting features are designed to help real estate agents analyze their online marketing and revise their strategy accordingly, if need be.

"It gives you insight into your investment and shows what you are getting out of the $799 per year," Aldrich said. "It's a set of feedback that a newspaper can't provide. Online marketing is a key part being successful today. We want to offer the complete solution on the online side."

Realtor.com now offers three i-Lead agent packages: XL silver; platinum and the new diamond edition,and two i-Lead office packages: XL silver and platinum.

The platinum and diamond editions include Showcase Tabs, which enables agents to set up customized Web pages that may be used to highlight recent homes sales and such other information as client testimonials, just-sold photos and personal and community data. Agents and offices can enter their own text, including HTML-formatted links, submit photos and post everything live instantaneously.

The diamond edition also includes a new prospecting tool called Hot Marketer, which allows agents to create a multi-media presentation with photos and music that can be sent via e-mail to clients and prospects.

Three currently separate features, School Reports, Move Tools and Personal URL, are being bundled into the new standard packages. Current i-Lead customers will have access to these additional services for no extra charge for the remainder of their contract year.

But upon renewal time, i-Lead subscribers will face a price hike: The silver package will cost $429 annually, up from the current $349; the platinum package will cost $799 annually or $75 monthly, up from the current annual fee of $649. The diamond package will be available for $1,099 annually or $99 per month. The ability to pay monthly for the higher-priced packages is a new option and not available for the silver package.

I-Lead XL has been running for a week in four test markets: Sacramento, Calif., St. Louis, Mo., Madison, Wis., and San Antonio, Texas. The goal of those early launches, Aldrich said, was "to get into the live environment and get feedback."

Realtor.com. boasts that the original i-Lead products fundamentally changed the way real estate professionals market themselves online by offering offices and sales associates the ability to create a highly visible and personalized Web presence. The service enabled agents and offices to automatically display their listings from their MLS on their own Web site, customize a listings and resume page, and add photographs and customized advertising copy.

Aldrich acknowledges that just about all of the i-Lead services are available in one way or another through competitors, but he said such a comprehensive package of services isn't available elsewhere through one single Web site.

Aldrich said more features are expected to be added to i-Lead XL in the near future, but firm dates haven't been determined. He declined to specify what those features will be.

Letters to the Editor

XLerator 'off the air,'reader says

Re: "Tough competitors: Realtor.com's XLerator takes a run at HomeGain's agent-consumer matching service" (July 2)

Dear Editor:

I was somewhat surprised to read in your story that "Realtor.com's new XLerator service has been off to a fast start..., according to Jonathan Greenblatt, Realtor.com's director of product management."

I signed up for XLerator as soon as it became available and (posted) several proposals for people who searched the Montgomery listings during the first week.

Then XLerator became unavailable. It went off the air. If I try to log on, I get a dialog box that says,"our site is not available." It has not been available for at least three weeks now. I have all those proposals (posted), but I can't check whether I have had any responses. Those people must think I am a real turkey of an agent.

I have sent several e-mails to Homestore's "customer no service" and all I get is assurances that they are "working on the issues." I asked whether they were going to refund a portion of the money I pay for i-LEAD, and I was told that since XLerator didn't cost anything extra, they would not be giving refunds. I guess that tells me what they think the product is worth.

David Price
The Buyers Agent of Montgomery Inc.
Montgomery, Ala.

Homestore.com case closed

**Justice Department concludes Homestore.com inquiry,
no enforcement action necessary**

Homestore.com Inc. today announced that it has been formally notified by the U.S. Department of Justice that the department has concluded its inquiry into certain business activities of Homestore and that no enforcement action is necessary.

The Department of Justice was reviewing certain Homestore agreements, including certain business agreements between Homestore and Cendant Corp. All inquiries are now closed, according to Homestore.

"Obviously, we're extremely pleased by the department's decision to close this matter," said Stuart Wolff, chairman and CEO of Homestore. "We're proud of the hard work and innovation we have brought to the real estate industry, and we will continue to focus on serving our professional customers and the consumers who use our products and services."

Homestore.com disclosed in April 2000 that the DOJ had issued a request for information from the company. The DOJ did not alleged any violation of law.

Homestore said during the investigation that it was confident it was in compliance with the law and that it cooperated fully with the DOJ's request.

Broker and agent intranet debuts

Homestore.com launches BrokerNet system at Real Estate Connect

Homestore.com Inc. today announced the launch of BrokerNet, an Intranet system designed to help real estate brokers deploy virtual desktops to centralize business-specific information and communicate with brokers, agents and employees.

The system, unveiled at the Real Estate Connect summit in San Francisco, is private-labeled and matches the look and feel of the broker's own Web site. It also integrates Homestore's BrokerMail, a broker-specific Web-based e-mail system with customized work group features.

"Agents join brokerages in part so they can leverage the resources of the larger brand for competitive advantages in the field," said Jeff Travelstead, COO of Realtor.com, the official Web site of the National Association of Realtors. "BrokerNet now takes this to another level by putting these key broker resources in one central place online with instant accessibility for all agents and office staff. The system fosters greater efficiency for offices and greater productivity and teamwork among agents, even across hundreds of miles."

BrokerNet accommodates the efficient distribution and archiving of standard business documents, applications and company-wide communications. The product is customizable to allow brokers to be selective and creative when sharing information resources internally.

Companies can streamline publishing, scheduling, listings and marketing functions on a common platform and standardize delivery of information technology services across all locations, according to the company.

Homestore reports quarterly financial results*

Company reports record revenue of $129 million, pro forma net income of 13 cents per share

Westlake Village, Calif.-based Homestore.com, a supplier of technology and online media to the home and real estate industry, reported record revenue and pro forma net income, excluding certain charges, for the second quarter of 2001.

The company said revenue for the quarter reached $129.3 million, a 79 percent increase over pro forma revenue of $72.4 million for the second quarter of 2000. The company's gross profit margin was 74 percent for the second quarter compared with a pro forma gross profit margin of 71 percent for the prior-year quarter. Pro forma net income for the second quarter was $14.5 million, or $0.13 per share, compared with a pro forma net loss of $29.8 million, or $0.29 per share, for the prior-year quarter.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

Pro forma net income and loss exclude the effects of amortization of intangible assets, stock-based charges, acquisition-related charges, one-time charges related to the write-down of the company's investment in FIRETAP Communications and accretion of distribution obligation. To enhance comparability, pro forma operating results assume that the acquisition of move.com occurred on January 1, 2000.

On a GAAP basis, the company's revenue for the second quarter of 2001 was $129.3 million, compared with $50.2 million for the prior-year second quarter. The net loss for the second quarter of 2001 was $72.1 million, or $0.67 per share, compared with a net loss of $24.7 million, or $0.31 per share, for the second quarter of 2000.

Professional subscriptions represent approximately 61 percent of revenue. The number of real estate sales practitioners within the Homestore network totalled a record 368,000 at the end of the quarter. The renewal rate was consistent with prior quarters at approximately 70 percent.

The percentage of revenue from advertising was 39 percent, due in part to the continued valuable demographics and strong traffic generated from Homestore's network of Web sites. The average monthly number of unique users visiting the Homestore network rose to approximately 7.3 million, up 64 percent from the second quarter of 2000, according to Media Metrix data.

The U.S. Department of Justice recently closed its inquiry into certain business activities and agreements of Homestore, including agreements between Homestore and Cendant Corp.

Homestore to buy iPlace

$150 million deal expected to close later this year

Homestore.com Inc. today announced an agreement to acquire Langhorne, Penn.-based iPlace Inc., a provider of online credit and neighborhood information to real estate practitioners and consumers.

The $150 million stock and cash transaction, of which approximately $70 million is cash, is expected to close in the third quarter.

"Like Homestore, iPlace is one of the few companies to establish a successful subscription business on the Internet," said Stuart Wolff, Homestore's chairman and CEO. "We believe the product lines will fit very well strategically and the combined traffic significantly extends the reach of our network of Web sites."

eNeighborhoods Inc., founded by Stuart Siegel in 1996, later merged with ConsumerInfo.com and QSpace.com and subsequently was renamed iPlace. The company's products and services include iPlace.com, eNeighborhoods, ConsumerInfo.com, QSpace.com and Relocator.

iPlace was one of the first companies to enable consumers to access their credit reports online and to offer an online merged report containing credit information from the three major credit bureaus.

Cendant bands with Realtor.com

Century 21, Coldwell Banker and ERA agents' i-LEAD pages go live

Cendant Corp.'s Real Estate Franchise Group announced that nearly all of the individual brokerages and agents affiliated with its Century 21, Coldwell Banker and ERA real estate brands now have Web pages activated at Realtor.com, the official site of the National Association of Realtors.

Using Homestore.com Inc.'s i-LEAD XL product, Cendant affiliated brokerages and agents have created custom Web pages that include property listings uploaded from compatible MLSs, photographs, online virtual tours and other property information.

The initiative to provide i-LEAD products was launched in March and is funded by a real estate technology trust that Cendant established to take advantage of technology for the benefit of its affiliated brokerages and agents.

i-LEAD XL is a suite of online marketing tools that offers the ability to add text, pictures and virtual tours to listings on Realtor.com.It also features lead generation and data reporting tools and can be upgraded to show local school, community and relocation data on brokerages' and agents' Web pages.

Cendant Corp. provides travel and residential real estate services. The company has 57,000 employees and provides services in more than 100 countries.

A tussle over tours

Is Realtor.com planning to ban manual linking of other providers' virtual tours?

The residential real estate industry is in an uproar over those online panoramic home tours that reportedly keep potential home buyers' eyeballs glued to online listings information longer. The use of these attractions, known as virtual tours, has triggered a power struggle among those who control the virtual tours, those who produce them and those who pay for them.

At the heart of the issue is the company that--for now--holds the cards when it comes to virtual home tours: Westlake Village, Calif.-based Realtor.com, whose June 2001 Web logs show listings with virtual tours received 38 percent more views than those without them.

Right now, Realtor.com's i-LEAD XL subscribers can add virtual tours to their listings on Realtor.com in two ways: either pay iPIX, Realtor.com's own virtual tour provider, $99 for four photos or manually link a tour from another provider by inserting an HTML string or link into the "customized descriptive paragraphs for their listings on Realtor.com at no charge," according to a Realtor.com fact sheet published online on Aug. 22.

But Realtor.com COO Jeff Travelstead said there is no recommended manual method for linking virtual tours to listings.

"The appropriate way to do it is to have the virtual tour icon prominently placed at the highest level possible in the listing search, so you're really drawing the consumer's interest," said Travelstead. "Any other methods really do not capture their attention at an appropriate level."

Still, the manual option does exist.

But two weeks ago, Steve Jarrell, president of virtual tour provider VisualTour.com in Coral Springs, Fla, said Realtor.com was planning to remove that option.

Travelstead wouldn't comment on whether manual linking will be barred and said it's a question Realtor.com has yet to address. "We're looking at it in terms of what's going to be best for the consumer experience, which ultimately will benefit the Realtor," he said.

The news of possible removal of the manual linking didn't sit well with Jarrell, whose company charges $25 per tour for up to 50 scenes.

Realtor.com indicated last year it would begin working with other tour providers to give its subscribers more options for automatic linking, said Jarrell. But there was a hitch: Realtor.com wanted to charge outside providers a fee for linking. That's a fee, said Jarrell, that inevitably would be passed onto the Realtor.

Jarrell said he signed a non-disclosure agreement with Realtor.com a year ago with the intention of being able to automatically link VisualTour.com's tours at Realtor.com free for his customers. Nothing came of those talks.

"They wanted to talk to us about linking tours, but in the first conversation they asked us to pay them for linking," said Jarrell. "Plus, they wanted us to put our technology on their platform and conform to their virtual tour platform, now called PicturePath."

Travelstead wouldn't comment on the PicturePath program and said it would be "premature to discuss it" at this time.

Homestore.com and iPIX in January signed an agreement in which Homestore purchased exclusive sales, marketing, and technology rights for residential virtual tours in the United States. That deal indirectly made Homestore a competitor of such companies as VisualTour.com.

Currently, Jarrell said, no conversations are taking place between himself and Realtor.com, so for now he's relegated to selling home tours to agents who use the manual linking function through their i-LEAD XL accounts.

That's why a removal of the manual linking would be a major concern for Jarrell and certain other companies that provide virtual tours to Realtors, but do not have agreements with Realtor.com.

"Realtor.com has already said that to be a preferred partner you're going to pay a linking fee and you're going to host on their platform," said Jarrell.

Asked whether Realtor.com will be changing any of its policies or procedures concerning virtual tours in the near future, Travelstead said the company "listened to the industry and (heard that) there's a desire in the industry for choice."

"Our intent is to open up the number of choices for virtual tour providers on Realtor.com," Travelstead said. "The details of that program will be forthcoming shortly in terms of the relationships that are being established and the way it will work."

Such statements concern Jim Lee, affiliate broker at Realty Executives Associates in Knoxville, Tenn., and an i-Lead XL subscriber who has used both iPIX and VisualTour.com's virtual tour services.

Using the manual linking option is ineffective, said Lee, because it doesn't provide the rotating house icon near the top of the listing that signifies the existence of a virtual tour for the property.

Lee is concerned, he said, because Realtor.com pays MLSs to publish listings online, but expects the Realtors to pay to add a virtual tour to those listings. He doesn't want to be forced to use a single provider, nor does he want to be charged higher fees if Realtor.com decides to charge outside tour providers for each virtual tour linked to its Web site.

"The virtual tours would make listings more valuable," said Lee, "so they should be paying us for them instead of the other way around."

Lee's suggestion is that Realtor.com should make its Web site more valuable to consumers and increase traffic, then charge more for banner ads and other advertising to raise revenues for the company.

Travelstead, asked whether Realtor.com plans to increase iPIX's competitiveness through lower prices or enhanced features, said his company acknowledges that an open platform environment breeds competition.

He calls such competition "healthy," and says it will drive the standards of performance that ultimately will benefit everyone.

"However, one of the challenges with competition is that when you open it up, everyone wants a preferred position or placement," said Travelstead, "and there's a cost that goes along with that."

Virtual tour provider gets linked

Deal signed for automatic linking of ImageMake360.com virtual tours to Realtor.com

ImageMaker360.com has inked a deal making the company the first outside provider of automatically linked virtual home tours on the Homestore.com-operated Realtor.com Web site.

The first photos are scheduled to be uploaded to Realtor.com by the end of this week.

That puts Ann Arbor, Mich.-based ImageMaker360.com in direct competition with iPIX, a company from which Homestore.com in January purchased exclusive sales, marketing, and technology rights for residential virtual tours in the United States.

According to Ryan Dame, ImageMaker360.com's senior vice president, the deal should come as good news for Realtors who have been seeking choices while shopping for virtual tours that can be automatically linked to Realtor.com.

"Currently their only option is to buy an iPIX tour," said Dame. "Our program gives Realtors options because they can have a discounted tour if they don't want to use Realtor.com or they can go on Realtor.com and still get a great virtual tour."

The "discounted" price to which Dame referred is the average $79.95 Realtors pay ImageMaker360.com for four virtual scenes and one still photo of the home's exterior.

Further discounts are based on volume, said Dame.

But Realtors who want to add Realtor.com to their virtual tour marketing mix also will pay an extra fee that Dame won't disclose until the program goes live later this week.

While the new option for tours on Realtor.com is likely to be greeted with cheers, what may not come as good news is the fact that--as many industry players predicted-- ImageMaker360.com has forked over a fee to Realtor.com for the right to link its virtual tours to the Web site.

"The fee they charged was expensive," said Dame, "but we felt it was something we needed to do in terms of offering more options to agents."

It's a fee that Dame said will be passed on to Realtors who use the service.

"We're not upselling the automatic linking," said Dame. "We're simply passing the service through at that direct cost even though we're incurring additional costs ourselves by doing it."

Dame won't disclose how much ImageMaker360.com paid Realtor.com for the ability to link the virtual tours to the site, but said the fee is "substantial" and "recurring."

According to Dame, the deal signed on Friday was six months in the making and was initiated by Realtor.com.

The deal isn't exclusive. ImageMaker360.com either already does business or plans to do business with the likes of Yahoo!, HomeSeekers.com and HomeAdvisor.com.

"Realtor.com came to us in search of companies that had been in the business for a while and were doing substantial volume," Dame said. "They wanted help pioneering a rollout to open the platform for virtual tours."

Yet another option may be announced soon, according to Dame, who revealed that VideoHomeTours.com also has signed a deal to automatically link its virtual tours to Realtor.com.

ImageMaker360.com was formed when Access Technologies of Boca Raton, Fla., purchased virtual tour provider 360Bay.com in March 2001. The company has been working in the virtual tour space for about 18 months.

The company utilizes a single-shot technology to capture a home's image with one shot of digital camera, said Dame, thus allowing for small file sizes that upload quickly.

Dame said one of his company's unique attributes is its belief that the spotlight should be on the agent and/or broker, not the provider of the virtual tour technology.

"We frame the virtual tour with customized branding," said Dame. "So instead of having the iPIX logo sitting next to a virtual tour, the service would be branded for the agent."

A virtual tour for a Coldwell Banker broker's listing, for example, would include the company's logo and a blue viewer would be inserted around the virtual tour itself. A home shopper would find a photo of the agent and the appropriate contact information beneath the tour.

ImageMaker360.com also offers such value-added functions as the ability to access a map, driving directions and an agent's e-mail address directly from the virtual tour.

Dame said ImageMaker360.com has contracts with more than 200 MLS companies nationwide, a feature that he said serves as a time saver by auto-populating the forms agents use to order the virtual tours.

Realtor.com adds virtual tour options

PicturePath launched, CirclePix, ImageMaker360, VideoHomeTours sign on

Homestore.com Inc. today announced the launch of PicturePath, a new program that gives real estate practitioners more choices of virtual tour providers for listings on Realtor.com.

Homestore already offers a HomeTour 360 virtual tour package powered by iPIX.PicturePath expands the choices with initial participation from three additional providers, CirclePix.com, ImageMaker360 and VideoHomeTours.

PicturePath is compatible with the RemoteReality OneShot360 and MGI virtual tour technologies. PicturePath will allow brokers and agents to select from multiple virtual tour technology vendors and choose their local service provider, according to Homestore.com.

"Our research indicates that virtual tours on a listing increase the likelihood of a consumer viewing the property by almost 40 percent. PicturePath provides real estate professionals with a choice of virtual tour providers to enhance their listings and potentially generate more leads and market and sell more properties," said Steve Ozonian, president of Realtor.com.

The purchase of a PicturePath virtual tour includes hosting for up to one year on Realtor.com and automatic linking of the tour to the property listing on Realtor.com and other Homestore-hosted and affiliated Web sites.

Pictures take new path

Homestore.com opens Web site for vendors to upload virtual tours to Realtor.com

Real estate agents who want to see that rotating-home icon on their homes-for-sale listings on Realtor.com will no longer be relegated to using iPIX virtual tour technology, thanks to a new service launched by Homestore.com Inc. of Westlake Village, Calif.

The new service is a Web site called PicturePath that preferred service providers now are using to upload their customers' virtual tours and other imagery for display on Realtor.com and through the rest of the company's distribution network. The Web site-based service gives real estate agents a choice of three tour providers: CirclePix.com, ImageMaker360 and VideoHomeTours.

For now, real estate agents need to go through one of these three companies to use PicturePath, although Bill Miles, Homestore's VP of imaging, said the Web site will be opened up for use by brokers and agents next year.

Miles said PicturePath was developed in response to Homestore's desire to provide a solution for the entire market with respect to virtual tours.

"From the time we acquired some of the iPIX assets, we've been focused on ensuring that we have a solution for everybody in terms of access to Realtor.com and the distribution network that we support," Miles said.

Miles wouldn't reveal how much the virtual tour providers are paying for the ability to upload clients' tours to PicturePath nor would he comment on how much agents are or will be paying for such access when it becomes available.

"That's part of what we're trying to work out through this pilot," he said. "We'll have a national price point when we go out to agents and brokers next year."

Until now, real estate agents who wanted a virtual tour on their listings--a feature that Homestore said increases the likelihood of a home-shopper viewing the property by nearly 40 percent--had to use iPIX.

But soon, Miles said, the iPIX name will drop into the background as HomeTour360 takes center stage as Realtor.com's virtual tour package.

"We're re-branding all of the tours on the Web site and through our distribution network,"Miles explained. "In early October, you really won't see much of the iPIX name anymore."

iPIX technology powers HomeTour360, and Homestore also is working with Kodak. PicturePath also is compatible with Remote Reality and MGI.

"Those are the technologies that we're comfortable with in the market," said Miles, who added that Homestore has found other technologies to be "too generic."

"What we liked about iPIX and Kodak is that both are geared towards the real estate agent who is taking pictures of houses and getting them up on the Web," he said.

That agent will have a broader choice of virtual tour providers on Realtor.com, but not until the "kinks are worked out" of the PicturePath system, Miles said.

"We're working through a long list of providers," he said. "For now, the site is password-protected for only the first three providers in an effort to work out the operational model."

As new providers sign up, each will be required to "strike a relationship" with Homestore, Miles said.

"Each of them needs to understand how PicturePath works,"he added, "so we will engage them in a contract."

That rule may loosen next year when Homestore opens up the PicturePath Web site to other providers, brokers and individual agents.

"As we get comfortable with the solution, we'll open it up to more universal across the Web," Miles said. "Providers will be able to sign up as certified agents and/or iLEAD members."

Looking ahead, Miles expects to see an increase in volume on all virtual tour-related Web sites.

He said Realtor.com will get its fair share of that market because homes portal is the "place that delivers the most consumers to those tours."

"Part of our overall strategy involves enabling agents and brokers to access the site in the manner that they want," said Miles. "Our development of PicturePath is another way to make that happen."

Homestore.com to report Q301 pro forma loss*

Realtor.com operator cuts revenue, net estimates in aftermath of Sept. 11 attacks

Homestore.com Inc. (Nasdaq: HOMS), which operates Realtor.com, the official homes-for-sale Web site of the National Association of Realtors, and other homes-related Web portals, said today it expects to report a pro forma loss in the third quarter because revenue will come in below earlier estimates.

The company said the Sept. 11 attacks on the World Trade Center and the Pentagon have compounded an already deteriorating advertising market and caused a loss of business due to the cancellation of sales visits to customers.

Homestore.com said it now expects a pro forma loss, excluding nonrecurring items, of 1 cent to 6 cents on revenue of $114 million to $118 million.

The company on Sept. 6 had reaffirmed guidance to securities analysists calling for a pro forma profit of 16 cents a share on revenue of $134 million.

The company said further guidance relating to the fourth quarter and next year will be provided when third quarter results are released.

The company’s common stock was trading at $6.60 this morning, down from yesterday’s closing price of $7.05. HOMS traded as high as $46 a year ago and around $16 prior to the stock markets closing after the Sept. 11 attacks.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

The wait isn't over

Realtor.com president, brokers say transaction platform still distant

San Diego, Calif.--Realtor.com's long anticipated eRealtor.com transaction platform is in the works, but will take a long time to finish, Realtor.com President Steve Ozonian told an audience of California Realtors yesterday.

"The contract stage is the most complicated," Ozonian said. "There is a lot of heavy lifting and a lot of capital involved, and yet we are making progress. It will take more time than people wanted it to take a couple of years ago, but it will get done."

Realtor.com is operated by Westlake Village, Calif.-based Homestore.com and is the official Web site of the National Association of Realtors.

Ozonian said one challenge in creating a viable transaction platform is getting enough participants on board.

"Bringing all the vendors together and getting the brokers and agents to play ball with them is a very challenging task," he said.

"(Once you) have the actual platform, you can get a (Realtor) association or an MLS to adopt it, but you still have to get the constituents on it. The vendors will (join) because they're scared they will lose business (if they don't), but the brokers and agents have to play ball, and if we can't get e-mail returned within 48 hours, we are not going to have an e-transaction very soon," he stated.

Cost is another challenge, Ozonian noted, saying capital can be had, but is more difficult to come by today than it was two years ago.

Nonetheless, Ozonian said, Homestore still has 60-70 people working full time on eRealtor.com.

"We're still at it, and there aren't many people still standing after a couple of years and a lot of hype. It's going to take years, and it's going to be evolutionary instead of revolutionary."

Ozonian spoke as part of a "Technology Tuesday" panel here yesterday as part of the California Association of Realtors Expo.

Also on the panel were Steve Games, CEO of Prudential California Realty, which has 3000 agents and 72 brokerage offices in Southern California, and Ed Krafchow, president of a separate company of the same name that has 3000 agents and 115 offices in Northern California.

Games said his company is looking to develop its own internal transaction platform, but is beginning with "baby steps." The first baby step is getting the company's transaction coordinators onto compatible networked computers. From there, the company will assess what would be needed for a full-blown transaction system.

Games touted the notion of large brokerages developing their own proprietary intranet-based transaction management systems.

"We are working with great gusto to deliver a transaction platform to a smaller group of people without the conflict that occurs when you go outside the company. We believe our money should be directed at delivering a better transaction coordination for our agents," he said.

Krafchow said the transaction platform is practically "an irrelevancy" today.

"My agents ask when we will have a paperless transaction and I say we have a paper-full transaction. It's gotten worse, not better. The technology exists, but the results of the technology have been pretty poor," said Krafchow.

Krafchow said he has yet to encounter a working transaction platform among those available today.

"We had a minimum of four transaction platforms running at the company as beta sites, and none of them worked. I've been with as many as 25 brokers nationally in a room where we were all surveyed as to who has a transaction platform—nobody (did)," he said.

Part of the problem, in Krafchow's experience, is that the platforms might not create significant workflow efficiencies.

"My transaction coordinators say the software takes them from doing 20 transactions a month to doing 20 transactions a month. We have a serious distance to go yet. If we could just get to the less-paper transaction (it would be an improvement)," he said.

C.A.R. Executive Vice President Joel Singer, who moderated the panel, noted that bits and pieces of transaction platforms already are in existence.

"The notion of the transaction platform is like peace in the Middle East," Singer said. "It's going to take a long long time. But incremental things are happening. People are starting to create networks to exchange data within the office. But it's going to be a while, and it's a great opportunity for Realtors to control the standard."

Homestore laying off up to 700

**Company announces reorganization,
cost cutting measures**

Westlake Village, Calif.-based Homestore.com, the leading supplier of technology and online media to the home and real estate industry, announced Thursday it is releasing up to 700 employees.

"While the reduction in staff is difficult, it is necessary to ensure the continued strength of the valuable franchise that we've established over the past five years," said Stuart Wolff, chairman and CEO, in a news release.

The company said in a news release it expects to take a fourth quarter charge for costs related to the implementation of this plan and will provide more details during its third quarter conference call Nov. 1 at 2:00 p.m. (PST).

The company said it is establishing two new primary operating groups: A Real Estate Services Group that will operate the company's businesses focused on serving customers in the real estate industry, and will include the company's REALTOR.com, HomeBuilder.com, Homestore.com Apartments & Rentals units and other real estate business units; and a Retail and Consumer Services Group that will operate the company's businesses focused on localized merchants and service professionals as well as consumer direct services, and will include the company's iPlace, Welcome Wagon and Local Online businesses.

In addition, the company is establishing a Corporate Development Group led by Allan Merrill as executive vice president, to handle mergers and acquisitions, business development, corporate partnerships and advertising sales.

Homestore adds IDX options

Listing Gateway products enhanced, customized for IDX compliance

Homestore.com Inc. today announced the launch of products for real estate brokerages and Multiple Listing Services seeking compliance with the National Association of Realtors' Jan. 1 deadline for Internet Data Exchange implementation.

The IDX program requires the ability to implement reciprocal display of for-sale homes listings on brokerages' Web sites.

Homestore's Listing Gateway products already used by brokers nationwide now are equipped to offer options that will comply with IDX guidelines, according to the company.

"The new IDX-enabled Listing Gateway products benefit all MLSs and brokers who are looking for an affordable convenient way to display reciprocal listings on their Web sites," said Realtor.com President Steve Ozonian.

Homestore said it has worked with NAR to introduce a product that enables MLSs to provide their member brokers the ability to frame the listings of all local brokers who are MLS participants, excepting those who have opted out of the IDX program.

Homestore also said it is offering IDX upgrades to its customized Listings Gateways to brokers for a modest fee. Brokers who belong to MLSs with existing sharing agreements will be able to display one another's listings data in their own customized fashion.

Budget Group to get 4.8 million shares of HOMS

Rent-a-car parent company agrees to cancel put option, redesign logos on trucks

Homestore.com Inc. and Budget Group Inc. announced an agreement to extend a strategic marketing alliance and settle Homestore's stock price guarantee due in March 2002.

Under the new agreement, Budget will receive approximately 4.8 million shares of Homestore's common stock in exchange for the cancellation of Budget's put option included in its original agreement with Homestore.

Budget is the parent company of Budget Rent-a-Car Corp. and Ryder TRS Inc. Budget also agreed to change the appearance of Homestore's logos on at least 30,000 Budget Group trucks and advertise the Homestore name for an additional year through March 2011.

Budget will be able to trade the Homestore shares as soon as a registration statement is filed with and declared effective by the U.S. Securities and Exchange Commission. The filing is expected later this week. Trading will be subject to certain timing and volume restrictions.

Homestore releases 3Q results*

Beleaguered company reports pro forma net loss of $6.9 million

Westlake Village, Calif.- based Homestore.com, (Nasdaq: HOMS), a leading supplier of technology and online media to the home and real estate industry, released its third quarter results Thursday, just two weeks after the company laid off 700 employees.

Homestore reported revenue of $116.1 million and a pro forma net loss, excluding certain charges, of $6.9 million or $0.06 per share for the third quarter 2001.

"In light of the changed business environment, we are taking the actions necessary to maintain our leadership position in the online real estate market," said Stuart Wolff, Homestore chairman and CEO, in a press release.

The company said revenue for the third quarter was $116.1 million, a 34 percent increase over pro forma revenue of $86.9 million for the third quarter of 2000. The company's gross profit margin was 73 percent for the third quarter compared to a pro forma gross profit margin of 70 percent for the third quarter of 2000. Pro forma net loss for the third quarter was $6.9 million, or $0.06 per share compared to a pro forma net loss of $19.8 million, or $0.19 per share, for the third quarter of 2000.

Charges excluded from pro forma net income and losses are amortization of intangible assets, stock-based charges, acquisition-related charges, write down of certain investments and accretion of the AOL distribution obligation. To enhance comparability, pro forma operating results assume that the acquisition of move.com occurred on January 1, 2000.

On a GAAP basis, the company's revenue for the third quarter of 2001 was $116.1 million, compared to $62.2 million for the third quarter of 2000. The net loss for the third quarter of 2001 was $106.6 million, or $0.96 per share, compared to a net loss of $27.1 million, or $0.33 per share, for the third quarter of 2000.

In conjunction with its business unit realignment announced last week, the company also provided expanded segment detail including sequential quarterly data to aid trend analysis.

The Real Estate Services Group, comprised of the company's REALTOR.com, HomeBuilder.com, Homestore Apartments & Rentals, and other real estate business units, accounted for 58 percent of total revenue or $67.0 million, an increase of four percent over the second quarter. The number of real estate services professionals on the Homestore Network was approximately 369,000 at quarter end, a six percent increase over last quarter.

The increase was primarily due to eNeighborhoodsprofessional subscribers added with the acquisition of iPlace Inc., Homestore said. The renewal rate from our real estate professionals continues to be approximately 70 percent.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

At this quarter end, Homestore reports it has 330,000 Realtor and broker subscribers at an annual revenue of $564 each, 23,000 rental property manager subscribers at an annual revenue of $1445 each and 16,000 builder subscribers at $2977 each.

The company's Retail and Consumer Services Group, comprised of the company's iPlace, Welcome Wagonand Local Online businesses, generated 18 percent of total revenue or $20.6 million, an increase of 47 percent over last quarter. The revenue increase was driven primarily by the acquisition of iPlace. Approximately 19,000 retail professionals were customers of Welcome Wagon at quarter end—a slight decrease over last quarter—at an average annual subscription revenue per professional of $3200. The number of paid iPlace consumers on the Homestore network was 575,000 at quarter end at an average annual revenue per consumer of $80.

Advertising revenue represented 24 percent of total revenues for the quarter or $28.5 million, a decline of 44 percent from the previous quarter, the company said. The average monthly number of unique users visiting the Homestore network rose to approximately 10.1 million, up 86 percent from the third quarter of 2000, according to Jupiter Media Metrix.

In the fourth quarter of 2001, the company will record one-time charges related to its organizational realignment and cost reduction plan that was announced on Oct. 25, 2001. These charges relate primarily to employee severance, closing of office facilities and certain international operations, as well as depreciation and amortization associated with the decision to discontinue certain products, product development activities and contracts so that the company can better focus on its core business activities and product offerings. The company anticipates that these costs will be between $50 million and $100 million, the vast majority of which will be non-cash.

The company's policy is to review its long-lived and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable, the news release said.

Notably, in response to the sustained downturn in the financial markets, the company's current business outlook and the company's organizational realignment in the fourth quarter, the company is assessing the fair value of its long-lived and intangible assets. The company anticipates recording in the fourth quarter additional charges to reduce the carrying value of its long-lived and intangible assets and such charges could represent a substantial portion of the carrying value.

The company estimates that fourth quarter 2001 revenues will be between $95 million and $105 million resulting in an estimated pro forma loss per share, excluding certain charges as well as one-time charges described above, of $0.30 to $0.38, on estimated fully diluted shares of 116 million. The company estimates gross margins of approximately 60 percent to 65 percent in the fourth quarter of 2001. The company estimates that full year 2002 revenue will be between $375 million and $425 million. Pro forma earnings per share, excluding certain items, for 2002 are estimated to be between $0.08 and $0.17 on estimated fully diluted shares of 118 million.

Last week, Homestore announced an organizational realignment around two primary operating groups, the Real Estate Services Group and the Retail and Consumer Services Group. The company is also establishing a Corporate Development Group and announced cost reductions.

In part, Homestore said those cost cuts came through the elimination of up to 700 positions. Further cost-cutting measures include consolidating office space and closing certain international operations, the company said.

Wider than expected loss for Homestore*

Company surprised investors and analysts with grim news

Westlake Village, Calif.-based Homestore (Nasdaq: HOMS), the dominant player in the online real estate world, shocked investors late yesterday by reporting a third quarter pro forma loss of $6.9 million, or 6 cents a share, double the estimates of analysts.

On a GAAP basis, the company's revenue for the third quarter of 2001 was $116.1 million, compared to $62.2 million for the third quarter of 2000. The net loss for the third quarter of 2001 was $106.6 million, or 96 cents per share, compared to a net loss of $27.1 million, or 33 cents per share for the third quarter of 2000.

"I was surprised by just how bad the third quarter was, and how negative the guidance coming out of that quarter was," said Jay Leupp, securities analyst for Robertson Stephens in San Francisco. Robertson Stephens downgraded its rating on Homestore to "market perform" or "neutral" after the earnings call Thursday. It had downgraded its rating from "strong buy" to "neutral" or "hold" a month ago.

Homestore also reported a surprisingly big crash in its online advertising revenues. Advertising revenue, which represented 24 percent of total revenues for the quarter at $28.5 million, declined 44 percent from the previous quarter. Homestore executives told analysts after the earnings call that the company lost several major advertisers during the quarter.

"I didn't expect their online advertising revenue to decline so rapidly…," said Leupp. "It clearly indicates that their long-term advertising contracts were keeping their ad revenue at an artificial high, and when those expired, there were none to replace them, so it came back to bite them," Leupp added.

Analysts widely downgraded their rating of HOMS after the earnings call Thursday. ABN AMRO cut its rating to "hold" from "add." USB Piper Jaffrey cut its rating to "neutral" from "buy." And Prudential Securities cut its rating to "sell" from "hold."

Shares of the online real estate company were quoted at $2.28 Friday by Fool.com. Shares of HOMS closed at $4.99 on Thursday on Nasdaq. The stock is at a 52-week low, down from a high of $43 for the year.

Leupp said he does not believe Homestore's problems say as much about the future of the online real estate sector as they do about the economy. However, many other analysts have questioned Homestore's claims that the Sept. 11 attacks are to blame for much of its woes.

"I continue to believe that the Internet will be the primary channel for real estate services," said Leupp.

The cutbacks the company has made appear to be orienting it toward a subscription business model, vs. an advertising model, and that is promising, Leupp added. Subscription revenue is more sound and predictable, he said.

Homestore announced a major reorganization and a layoff of about 700 people a week ago.

"The company's future isn't clear, but if it can cut operations down to the right size," it may weather the storm, he added.

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

"The next two quarters will be critical from a cash generation and preservation standpoint," he said.

If Homestore's cash position is still bad at the second quarter of 2002, the company's position could be "precarious," said Leupp.

Homestore is an online supplier of media and technology to the real estate industry. Its family of Web sites include REALTOR.com, the official website of the National Association of Realtors, and Homebuilder.com.

Homestore chairman and CEO Stuart Wolff and Realtor.com president Steve Ozonian did not return calls.

Homestore declared 'viable'

Realtors association's Homestore board member recaps benefits of relationship

Chicago—The National Association of Realtors' representative on Homestore.com's board of directors assured Realtors attending NAR's governance meeting here Monday morning that the company, which operates NAR's official Realtor.com homes-for-sale Web site, is and will continue to be viable.

"(NAR EVP) Terry (McDermott) and I feel the company is viable not only because of its very healthy financial position, but also because of the painful steps the company is taking to eliminate nonessential personnel and redirect the company's energies and resources towards its core business," said Alan Yassky, a Spring Valley, N.Y., Realtor who sits on Homestore's board on NAR's behalf.

Homestore announced on Oct. 25 a staff reduction of as many as 700 employees and a restructuring of the company into a real estate group, a retail/consumer services group and a corporate development group.

"Terry and I believe Homestore's decision to concentrate on its core businesses is a huge plus for NAR as well as Homestore, and we are very encouraged by that decision," Yassky added.

Yassky applauded the retention of Realtor.com President Steve Ozonian in his current position after the restructuring.

"Steve will remain as president of Realtor.com, and I must tell you that Terry and I and the NAR staff couldn't be more pleased by that decision. Steve has worked to close any gaps that may have existed between NAR's needs and Homestore's ability to service those needs," Yassky told NAR's delegates.

Prior to the restructuring, Homestore already had been hard-hit by declining online advertising revenue. The company announced on Nov. 1 that its advertising revenue in the third quarter amounted to $28.5 million, representing 24 percent of the company's total revenues for the quarter and a decline of 44 percent from the previous quarter.

Yassky said Homestore's cost-cutting measures would keep the company on track, despite the fall off in advertising.

"The reduction of advertising revenues has been troubling throughout the online industry. The anticipated revenue loss (for Homestore) in the current business climate should be mainly offset by the austerity measures the company has put in place. Terry and I believe the company is viable now and will be viable in the future," Yassky said.

His report included an extended recap of the benefits he believes NAR has received from its relationship with Homestore.

At the start of the relationship, he said, Homestore absorbed $15 million of debt and settled with more than 100 creditors from NAR's Realtor Information Network, a for-profit company that was facing bankruptcy.

He then noted that NAR realized $55 million from the sale of 500,000 shares of Homestore stock and nets a return on the investment of those proceeds on the order of $2.5 million a year. The association also has earned several million dollars annually in dividends from the Homestore.com relationship. Homestore's sponsorship of NAR events and advertising in NAR publications amounts to hundreds of thousands of dollars a year, Yassky added.

Yassky noted that Homestore's broker reciprocity/Internet Data Exchange product announced Oct. 29 provides a basic capability for MLSs and brokers to frame Realtor.com listings data on their own Web sites free of charge and add upgrades and customized features at a cost.

Yassky commended Homestore.com's support of NAR's Realtor Housing Relief Fund, which has raised $7.4 million to provide housing assistance to victims of the Sept. 11 terrorist attacks. He said that within days Homestore.com employees contributed more than $44,000, the company matched those contributions dollar-for-dollar and CEO Stuart Wolff contributed $10,000. All together, Homestore.com now has accounted for more than $110,000 in donations to the relief fund.

Homestore also has agreed to provide technical and financial support for the International Consortium of Real Estate Associations, of which NAR is a founding member.

"Not only will Homestore for free operate their Web site, which has an estimated value of about $600,000 a year, but also they will make monetary contributions to the consortium," Yassky said.

In closing, he praised Realtor.com for helping to prevent the disintermediation of Realtors from the real estate transaction, as was predicted by analysts and feared by the industry some years ago.

"What we have done with Realtor.com is we have kept ourselves from being disintermediated," he said. "The Internet was predicted to wipe out Realtors, but it has not. I submit to you that the bold move we took in 1996 to protect ourselves with Realtor.com is the reason we are here today."

Realtor.com turns to 'lead throughput'

Homes-for-sale Web site invests in content, traffic, lead generation, customer service

Chicago—Realtor.com, the National Association of Realtors' official homes-for-sales Web site operated by Homestore.com, is turning its attention from content creation and traffic generation to pushing leads through the system to Realtors, according to Realtor.com President Steve Ozonian, who spoke during the NAR governance meetings here Monday morning.

"Our initial focus was creating and putting up content on the Web site. The next stage was making sure we had the right connections to generate great traffic. Then it all becomes about making sure the lead throughput is as good as it can be. That's why we continue to refine and enhance new generations of products that now give the Realtor better information than ever about the amount of traffic that they are receiving individually to their part of the Web site," Ozonian said.

Ozonian highlighted Realtor.com's traffic-generating position with several of the top Internet portals, including America Online and Yahoo! He said those relationships are drawing prospective home buyers and sellers to Realtor.com.

"We know that as consumers come on the Internet, they start their search process on a major search portal. We want to make it easy for them to find us and use the tools we have. People are enjoying more than ever using the Internet to start the search process to look for a home or a Realtor," he said.

Ozonian said Realtor.com is investing a lot of time and capital in expanding the ways in which home buyers and sellers can connect with a Realtor through the Web site and in developing new products and services.

Among the new products is Homestore's Internet Data Exchange, which enables brokers to display one another's for-sale homes listings on their own Web sites by framing Realtor.com. The product is part of NAR's mandated broker reciprocity program that requires MLSs to offer such a data-sharing service.

Ozonian said Homestore's IDX product is a low-cost way for brokers to leverage Realtor.com in a local marketplace.

"IDX has been an important component of how we think about Realtor.com and how this great asset can be leveraged to be used in a more prominent way in the local marketplace. We have some free solutions that will enable the MLSs and the individual corporate broker to take advantage of Realtor.com without creating costly infrastructure or (undertaking) heavy lifting-type activities to do what we already are doing together as an industry," he said.

Homestore's basic IDX service is free and customization is available at a cost. Ozonian mentioned removing advertisements or other Realtors' iLead XL enhancements or adding a date scan or an MLS's own logo as examples of customizations.

Ozonian opened his remarks at the NAR meeting by reaffirming the success of Realtor.com's partnership with the national Realtor association.

"First and foremost," he began, "I think we should all celebrate that after five years of challenging and hard work, this is really a story that will go down in history as a partnership among all the constituents in our industry to get together and create the greatest online presence that an industry can create by working together and making sure that we remain in control of our business."

Ozonian closed his remarks with a footnote about customer service. After a preamble about products and unique users, he said Realtor.com has continued to invest in customer service since it opened its customer service center in Phoenix, Ariz., nine months ago.

"We will continue to have a world-class customer care center that takes care of the people who do all the hard work to provide the ability to have content and buy (our) products," he said.

Homestore CFO resigns*

Realtor.com operator to search for new chief financial officer

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* *Homestore later announced it would restate its financial results for several quarters of 2000 and 2001. See "Homestore to restate financial results" Dec. 21, 2001.*

Online real estate service Homestore Inc. announced today that its CFO has resigned and it has initiated a search for a replacement.

Joseph Shew informed Homestore he is leaving the company for "personal reasons."

Shew joined Homestore.com in August 1998 as controller, was promoted to vice president of finance in January 1999 and became CFO in February.

From October 1994 to August 1998, he was director of corporate controllership for The Walt Disney Co. Prior to his tenure at Disney, Shew was a certified public accountant with Price Waterhouse LLP for six years.

Homestore.com supplies online media and technology to the home and real estate industry. The company operates Realtor.com, the official Web site of the National Association of Realtors, HomeBuilder.com, the official new homes Web site of the National Association of Home Builders, Homestore Apartments and Rentals and Homestore.com, a home information resource. The company also develops and sells technology to home and real estate practitioners.

Realtors’ association touts Realtor.com

McDermott says ‘leadership position critically important to Realtor community’

The National Association of Realtors has released a brief statement in support of Homestore.com’s efforts. The statement was issued by NAR CEO Terrence McDermott and reads, in its entirety, as follows:

"NAR supports efforts by Homestore to maintain Realtor.com's dominance in the marketplace during these difficult economic times. Ranked as the number one homes-for-sale site again in October, Realtor.com currently offers potential home buyers more than 1.7 million new and existing homes listed for sale.

"Realtor.com has continued to expand its leadership position and increase its value for our members. It is critically important to the entire Realtor community that Realtor.com maintain its leadership position."

Homestore to restate financial results

Board of directors’ audit committee conducting inquiry into accounting practices

Homestore.com announced late this afternoon the company will restate certain prior financial statements following an inquiry into some of its accounting practices by the audit committee of the company’s board of directors.

A statement from the company said the audit committee had retained independent legal counsel and accountants to assist it in connection with the inquiry. The committee and the company are “firmly committed to completing a thorough expeditious inquiry of these matters in an independent objective manner,” the statement said.

Homestore said its audit committee has informed the Securities and Exchange Commission that an inquiry into the company's accounting practices is being conducted.

The statement said neither the outcome of the inquiry nor the extent of the restatement or accounting periods affected could be determined at this time.

Homestore CFO Joseph Shew resigned from the company earlier this month for personal reasons. The company said a search for a replacement had been initiated.

The company's shares closed today at $3.60 prior to the announcement. Homestore's stock had traded as high as $37.25 and as low as $2.10 during the last 52 weeks.

Homestore.com operates Realtor.com, the official Web site of the National Association of Realtors, HomeBuilder.com, the official new homes Web site of the National Association of Home Builders, Homestore Apartments and Rentals and Homestore.com, a home information resource. The company also develops and sells technology to real estate practitioners.

HOMS trading halted

Nasdaq puts hold on Homestore.com while SEC awaits additional information

The Nasdaq Stock Market halted trading in shares of Homestore.com Friday, when the company advised the Securities Exchange Commission that it will revise unspecified prior financial statements after a review of certain of its accounting practices.

The trading halt status was changed on Monday to reflect the Securities and Exchange Commission's request for additional information from the company. Trading was scheduled to remain halted until the company satisfies the request for additional information, according to Nasdaq.

Homestore faces shareholder lawsuit

Class action alleges executives 'misrepresented Homestore's true prospects'

A shareholder lawsuit has been added to the list of troubles facing Homestore.com.

The class action against the Westlake Village, Calif.-based company that operates Realtor.com and other homes-related Web sites was filed today in the U.S. District Court for the Central District of California on behalf of certain purchasers of Homestore's common stock.

The complaint charges that Homestore Chairman and CEO Stuart H. Wolff, EVP Business Development and Sales Peter B. Tafeen and former CEO Joseph J. Shew "misrepresented Homestore's true prospects in an effort to conceal Homestore's improper acts until they were able to sell $27.9 million worth of their own Homestore stock."

The complaint alleges that Homestore violated generally accepted accounting principles required by SEC rules by engaging in improper "roundtrip" transactions that resulted in overstatement of the company's revenues and assets in the second, third and fourth quarters of last year and the first, second and third quarters of this year, that those transactions ceased in the third quarter of this year because the company's "roundtrip partner" stopped doing those transactions with the company and that the company's reporting of such transactions in its financial results constituted stock price manipulation.

The complaint doesn't define "roundtrip" transaction or reveal the name of the "roundtrip" partner.

The plaintiffs state that Homestore's stock price increased $7 per share, or more than 25 percent, on July 19, 2000, the day after the company reported allegedly overstated financial results, then dropped by more than 50 percent after the company reported poor results for the third quarter of 2001 and cut its 2002 revenue projections from $563 million to $375-$425 million, according to the law firm representing the shareholders.

Homestore.com attributed the weak third quarter and reduced prospects to a decline in advertising revenues.

The lawsuit alleges the negative developments resulted from a material decline in Homestore's business with its main "roundtrip" partner.

The complaint includes a point-by-point summary of positive forward-looking statements clipped from Homestore.com's quarterly financial results press releases and an allegation that such statements were false and misleading.

"The second quarter 2000 through third quarter 2001 financial results and the statements about them were false and misleading, as such financial information was not prepared in conformity with GAAP, nor was the financial reporting a fair presentation of the company's operations due to the company's improper accounting for its revenue in violation of GAAP and SEC rules," the complaint states.

Homestore.com's announcements warn that actual results may differ materially from forward-looking statements, forward-looking commentary is subject to a lengthy list of material risks and uncertainties and investors should not place undue reliance on such statements.

A Homestore spokesperson said the company has not yet had a chance to review the complaint.

The SEC on Friday halted trading in Homestore's shares, after the company announced its board of directors' audit committee was reviewing some of its accounting practices and that prior financial results would be restated. Trading remains suspended today.

The complaint states that Wolff, Tafeen and Shew sold 444,225 shares of stock worth $13.2 million, 409,195 shares worth $12.1 million and 90,000 shares worth $2.6 million, respectively, during the class period from July 20, 2000, to Dec. 21, 2001. Shew resigned from the company earlier this month.

The plaintiffs seek to recover damages on behalf of investors who purchased Homestore common stock during the class period.

The plaintiffs are being represented by class-action specialists Milberg Weiss Bershad Hynes & Lerach LLP, a 170-lawyer firm with offices in New York, San Diego, San Francisco, Los Angeles, Boca Raton, Seattle and Philadelphia.

2002: Indictments, layoffs, lawsuits and Realtor.com's uncertain future

Missed it by $54-$95 million

Homestore to restate revenues; Realtor association to 'ensure Realtor.com success'

Westlake Village, Calif.-based Homestore.com today announced it overstated its online advertising revenues in the first three quarters of last year by $54-$95 million. Today's preliminary estimate is the first indication of the magnitude of the company's previously reported expectation of restating its financial results.

The audit committee of Homestore's board of directors reportedly is examining a large but unspecified number of transactions in 2000 and 2001 and expects to complete its review by the end of the current quarter.

The restatement involves advertising revenues that should have been accounted for as barter transactions because they were tied to the company's purchases of goods and services from one or more unidentified advertisers.

Homestore will revise its financial statements and Form 10-Q reports to the Securities and Exchange Commission for the quarters ended March 31, June 30 and Sept. 30, 2001, and may restate its financial statements and Form 10-K report to the SEC for the year ended Dec. 31, 2000.

The company warned investors not to rely on its previously filed Form 10-Q reports or financial statements for those periods.

Homestore.com announced the inquiry into certain of its accounting practices on Dec. 24. Trading of the company's stock on Nasdaq has been suspended since shortly after that announcement.

Homestore.com operates the National Association of Realtors official homes-for-sale Web site Realtor.com, the National Association of Home Builders official new homes Web site HomeBuilder.com and an apartments and rentals Web site in addition to Homestore.com.

Separately, NAR today issued a statement from 2002 President Martin Edwards Jr. on the audit of Homestore.com's accounting practices.

"(Homestore.com's) audit committee with the assistance of independent legal counsel and independent accountants is conducting a thorough inquiry into the company's accounting practices. We at NAR have full confidence in the audit committee and the ultimate resolution of Homestore's accounting issues," Edwards said.

"NAR senior staff and association volunteers have been working closely with Realtor.com management to ensure full Realtor support of their efforts to keep Realtor.com on track and focused on current and future needs of Realtors and of the home-buying and home-selling public. Working together, NAR will spare no efforts to ensure Realtor.com's continued success," he said.

Chicago-headquartered NAR represents approximately 800,000 residential and commercial Realtors.

Wolff resigns

WebMD management takes over at Homestore

Westlake Village, Calif.-based Homestore.com announced this morning that CEO Stuart Wolff has resigned from the company and new management has been appointed.

W. Michael Long has been named CEO and a member of the board of directors. Jack D. Dennison has been appointed COO, and Lewis R. Belote III has been appointed CFO. Joe F. Hanauer, a longtime member of Homestore's board of directors has been named chairman.

Long previously was president and CEO of The Continuum Co., CEO of Healtheon Corp. and chairman of WebMD after its merger with Healtheon.

"We recognize the immediate challenges facing the company, but we also see tremendous potential for the company. It is clear that the future of Homestore is dependent on delivery of a powerful value proposition to real estate professionals that helps improve their productivity and bottom line," said Long.

Dennison was general counsel and secretary of Healtheon and WebMD, VP and general counsel of The Continuum Co. and deputy general counsel of Computer Sciences Corp.

Belote was SVP of finance for Healtheon and WebMD and CFO of ActaMed Corp., a company acquired by Healtheon. Prior to that he was with accounting firm Ernst & Young.

Hanauer has been a director of Homestore since November 1996. He is a former chairman of Grubb & Ellis Co. and Coldwell Banker Residential Group.

"The Homestore board of directors is very pleased to have found such a strong team to lead the company," Hanauer said.

The company said Wolff is leaving to pursue a new technology venture.

Homestore, AOL in arbitration

Homes portal accuses America Online of breaching marketing agreement

Little was said in October when Homestore.com filed an arbitration action against America Online, and there's no indication yet as to whether the online homes information and real estate technology company's financial restatements and management reshuffling will change the course of that proceeding.

The arbitration surfaced in HomeStore's November Form 10-Q filing with the Securities and Exchange Commission for the third quarter of 2001. Homestore, in the SEC filing, contends AOL has breached certain obligations relating primarily to Internet traffic commitments under an April 2000 five-year marketing and distribution agreement between the two companies.

The notice of arbitration seeks various remedies including damages and equitable relief.

Homestore’s Form-10Q stated that AOL had yet to respond to the notice of arbitration and hadn’t asserted any counter claims against Homestore under the original agreement.

Westlake Village, Calif.-based Homestore, which operates the National Association of Realtors official Realtor.com and other Web sites, last week disclosed it had overstated advertising revenue for the first three quarters of 2001 by $54-$95 million and may have overstated 2000 advertising revenue as well.

Whether the internal audit of the company’s accounting practices has any connection to the AOL arbitration is unknown because the arbitration is being kept under wraps.

Homestore spokesperson Dan Wool said earlier this month "there’s no news to report" on the arbitration beyond what was stated in the Form 10-Q filing.

Homestore paid AOL $20 million in cash and issued about 3.9 million shares of common stock to AOL when the agreement was signed. Homestore at that time guaranteed its common stock would achieve specified 30-day average closing prices on specified future dates. The price was guaranteed to be $65.64 per share with respect to 60 percent of AOL's shares on July 31, 2003, $68.50 per share with respect to 20 percent of AOL's shares on July 31, 2004, and $68.50 per share with respect to the remaining 20 percent of AOL's shares on July 31, 2005.

The agreement stated that Homestore would cover any shortfall in cash payments to AOL. The aggregate amount was limited to $90 million, an amount reported as restricted cash on Homestore’s balance sheet.

Homestore’s stock was trading at $2.50 per share today.

AOL did not return calls seeking comment on the arbitration.

Homestore filed the arbitration with the American Arbitration Association. The group wouldn’t confirm or deny its participation the matter.

Arbitration association spokesperson Katherine E. Burton said arbitration between business partners is more common that one might think and that the group handled nearly 17,800 business arbitrations and mediations last year.

Businesses can name the association in a contract clause without giving the association notice of such provision. The number of matters arbitrated and mediated represents actual disputes and isn’t indicative of all instances when an arbitration clause is included in a commercial contract, Burton added.

Resolution of such matters depends on the willingness of the parties, the complexity of the issues at hand and the extent of pre-hearing discovery, Burton said.

"An arbitration may be settled in anywhere from a few weeks to a couple of months," she said. "This rivals court battles, which may take four to seven years."

Burton also said business relationships between disputing companies tend to be preserved despite an arbitration because arbitration is "an efficient confidential process that is generally less antagonistic than a court trial."

She also said arbitration is less disruptive to business activities because the scheduling is more flexible than that of a courtroom legal action.

HOMS to resume trading

NASDAQ to restart trading of Homestore's shares this morning

The NASDAQ Stock Market announced trading in Homestore.com will resume today at 12:30 p.m., EST.

Homestore.com today announced it has provided additional information to NASDAQ regarding the company's activities.

Trading of Homestore shares had been halted since Dec. 21, when the company told NASDAQ and the Securities and Exchange Commission its audit committee was conducting an internal inquiry into certain of the company's accounting practices.

The company last Wednesday announced preliminary results of the audit found the company had overstated its online advertising revenues in the first three quarters of 2001 by $54-$95 million.

The company placed three employees on administrative leave in connection with inquiry and may take additional disciplinary measures as a result of the findings.

The company this morning also announced it has appointed a new chairman of the board, CEO, COO and CFO.

Edwards applauds new Homestore management

National Association of Realtors' president 'encouraged' by yesterday's appointments

National Association of Realtors 2002 President Martin Edwards Jr. said in a statement released by the association that the association is "encouraged that Homestore's board of directors has appointed a new management team to take control at this critical time."

Edwards said he is "delighted" that the new management intends to focus on "the value proposition between Homestore and the nation's Realtors," according to Homestore's statement yesterday.

Westlake Village, Calif.-based Homestore's new management team is comprised of Chairman of the Board Joe Hanauer, CEO and board member W. Michael Long, COO Jack D. Dennison and CFO Lewis R. Belote III.

"The appointment of Joe Hanauer to be chairman of the Homestore board is good news. Joe is a very dedicated Realtor with more than 30 years of experience in the business. Joe has played a significant role in the success of Realtor.com from the very beginning," Edwards said.

NAR's representatives on Homestore's board had an opportunity to interview the new executives, according to the statement.

Edwards also reiterated that NAR senior staff and association volunteers have been working with Realtor.com management to keep Realtor.com focused on Realtors' and consumers' needs.

"As far as we can tell at this time, none of the accounting problems brought to light by the Homestore board audit committee have anything to do with Realtor.com. We will continue working closely with Realtor.com. This new management team is one of the first fruits of that effort," he said.

Edwards also said resumed trading yesterday of Homestore shares on Nasdaq was "encouraging."

Lawyers target HOMS

10 law firms now representing shareholders in likely class action

The list of law firms involved in class action shareholder lawsuits against Homestore.com has been growing longer since the initial filing was announced at the end of last month.

Now on the list of plaintiffs representatives are Bernstein Liebhard & Lifshitz, Wechsler Harwood Halebian & Feffer, Faruqu & Faruqu and Abbey Gardy in New York, Schiffrin & Barroway in Bala Cynwyd, Pa., Cauley Geller Bowman & Coates in Little Rock, Ark., Berger & Montague in Philadelphia, Pa., Weiss & Yourman in Los Angeles, Milberg Weiss Bershad Hynes & Lerach in San Diego and Levy and Levy in Stamford, Conn.

The class action was commenced in the U.S. District Court for the Central District of California on behalf of people who purchased Homestore common stock between July 20, 2000, and December 21, 2001.

The complaint alleges that Homestore and certain of its former officers and directors made false and misleading statements that misrepresented the company’s business and financial condition and caused its stock price to increase before those individuals sold their shares, then decrease when the company announced its revenues for certain prior periods had been overstated due to improper accounting for advertising revenues.

Homestore disciplines employees

Seven staffers fired--or resigned--in connection with internal accounting audit

Homestore.com yesterday announced additional disciplinary actions related to its previously announced internal accounting inquiry.

The company has terminated or accepted resignations from seven employees, including three who previously had been placed on administrative leave. The company did not disclose the employees’ names.

Homestore on Jan. 2 announced preliminary results of the audit had found the company overstated its online advertising revenues for the first three quarters of 2001 by $54-$95 million. No further details have been announced.

Stuart Wolff, former Homestore chairman and CEO, resigned Jan. 7.

The company said additional disciplinary measures may be taken before the accounting inquiry is completed.

Homestore to sell eNeighborhoods

Realtor.com operator to focus on 'making real estate professionals productive, profitable'

Homestore's brand-new executive management today announced the sale of the company's eNeighborhoods business unit, a staff reduction of 300 employees, a strategic review of the company's operations and a restatement of senior management titles as the initial steps in an effort to refocus the troubled company on its core businesses and customers.

Homestore acquired eNeighborhoods in August as part of its purchase of iPlace in a $150 million cash and stock deal. ENeighborhoods was founded as Lysias in 1996 and became part of iPlace in February 2000. IPlace provides online credit report services as well as eNeighborhood's compilations of neighborhood facts and figures, schools and housing data, crime rates, local climate conditions and other information.

Homestore didn't disclose the terms of the eNeighborhoods sale, but a company spokesperson clarified that the sale encompasses only the original eNeighborhoods portion of iPlace's operations.

The responsibilities of the 300 jobs to be eliminated this quarter weren't disclosed in the company's statement.

Westlake Village, Calif.-based Homestore, which operates Realtor.com and other homes-related Web sites, said its new management has conducted a strategic review of its businesses, investments, partnerships and corporate infrastructure spending.

W. Michael Long, a former WebMD executive who stepped into Homestore's CEO slot a month ago, said Homestore customers and employees were involved in the business assessment and that the latest restructuring is intended to refocus the company on "making real estate professionals more productive and profitable."

Long also said the company was "disposing of non-strategic businesses and eliminating unnecessary investments and corporate services." But the company's statement didn't specify which businesses—if any, other than eNeighborhoods—would be on the block or detail which investments or services would be eliminated.

The spokesperson emphasized that management is refocusing the company on its customers and cited corporate marketing of the Homestore brand as an example of an investment in corporate services.

Long characterized the company's focus as a positive development for the real estate industry and Homestore's customers and employees.

"A more focused, leaner Homestore makes us a more reliable partner to the real estate industry, a better value for our customers and a more stable workplace for our employees. We will improve our core products and services and rely on the brands that are already widely recognized by our customers, tying our success more closely to that of our customers," he said in the statement.

Homestore's announcement also reintroduced the company's senior management in an effort to reflect who has been and will continue to head the company's main operating units, the spokesperson indicated.

Real estate industry veteran Steve Ozonian remains in place as president of the Realtor.com operations, a position he has held since May 2000. The other top spots are held by Pat Whelan, president of Homestore's HomeBuilder, Apartments and Rentals and consumer and advertising business units, Allan Merrill, EVP of business development, and Walter Lowry, SVP, general counsel and secretary.

Real estate industry veteran Joe Hanauer become chairman of Homestore.com's board in early January. Hanauer had been a Homestore director since November 1996.

Other new officers named in early January were COO Jack Dennison and CFO Lew Belote, who also previously held executive positions at WebMD.

The company said the "new" management structure is "designed to align the company more tightly with its core real estate, builder and rental professional customers."

Homestore's other directors are Barbara Alexander, senior advisor to UBS Warburg, John Doerr of venture capitalist firm Kleiner Perkins Caufield & Byers, William Kelvie, former chief information officer of Fannie Mae, Kenneth Klein of the National Association of Home Builders, Terrence McDermott, CEO of the National Association of Realtors, and Richard Smith, chairman of Cendant Corp.'s real estate division.

Zero value

Cendant Corp. writes off investment in Homestore

Cendant Corp. (NYSE: CD) has written off its remaining investment in Homestore (NASDAQ: HOMS), according to a Jan. 31 statement on Cendant's Web site that provides additional accounting information about the company's affiliated entities.

"The carrying value of the company's investment in Homestore.com has been written down to zero due to the recent market decline in Homestore.com shares and the company's equity share in the losses of Homestore.com," Cendant stated.

The statement didn't disclose how many shares were still on the books at the time of the write-off. But Cendant's financial results for the fourth quarter of 2001 announced this week included an after-tax non-cash charge of $285 million, or 29 cents per share, related primarily to Cendant's Homestore investment.

"This impairment was caused by a substantial reduction in Homestore's market value and the resulting investment write-off substantially offset the gain recognized in the first quarter of 2001 on the sale of move.com to Homestore," the company's report stated.

The financial report also noted an after-tax loss of $21 million, or two cents per share, related to Cendant's proportionate ownership in Homestore.

Cendant's original investment in Homestore was put on the books a year ago when Cendant's sold its Move.com business to Homestore in exchange for more than 20 million shares of Homestore stock, a 19 percent interest then worth upwards of $700 million. Homestore's stock closed today at 75 cents.

Cendant's statement also said the company "has no other commitments as it relates to this investment."

Homestore's own financial statements have been suspended in uncertainty since December 21, when the company announced the audit committee of its board of directors had hired outside auditors and legal counsel to assist with an internal review of certain accounting practices. The company subsequently announced it had overstated its online advertising revenues in the first three quarters of last year by a preliminary estimate of $54-$95 million. No further information about the audit or the restatements has been announced since Jan. 2.

HOMS halted again

**Nasdaq stops trading of Homestore shares,
pending receipt of additional info**

The Nasdaq Stock Market halted trading in shares of HomeStore.com this morning. Trading initially was halted at 9:10 a.m. EST for "news pending" at a last sale price of 72 cents. The halt status subsequently was changed to "additional information requested."

Trading will remain halted until the company satisfies the additional information request.

Nasdaq previously halted trading of HOMS on Dec. 21, when the company told Nasdaq and the Securities and Exchange Commission its audit committee was conducting an internal inquiry into certain of the company's accounting practices. Trading resumed on Jan. 7 after Homestore provided additional information that had been requested at that time.

The company last month announced its intention to restate its financial statements for the first three quarters of last year by a preliminary estimate of $54-$95 million. The company today announced it also will restate earnings for 2000.

New numbers due soon

**Homestore to finish accounting audit,
financial restatements next month**

Homestore.com, which operates Realtor.com and a number of other home and real estate Web sites, announced today it will restate its financial results for the year ended Dec. 31, 2000, and it expects to conclude its internal accounting inquiry and file restated financial statements by mid-March.

The company previously announced it intends to restate its quarterly financial statements for the first nine months of 2001. The restatements are a result of an inquiry being conducted by the audit committee of the company's board of directors into the company's accounting practices.

"The restatements involve historical accounting issues that will be corrected, but do not relate to Homestore's ongoing operations," said Homestore CEO Mike Long. "The company has sufficient financial resources to meet our customer commitments and to fund the growth of our business."

The company stated it expects its cash flow from operations to be positive for the full year 2002 and that it had cash and cash equivalents available to fund operations of approximately $48 million at Dec. 31, 2001, in addition to restricted cash of approximately $100 million.

Bigger classes

Law firm expands shareholder lawsuit against Homestore to include 2000

One of the dozen or so law firms that previously filed class-action shareholder lawsuits against Homestore.com and certain former officers and directors of the company this morning said it is enlarging the class of shareholders that can be covered by the lawsuit.

The law firm making the announcement was Milberg Weiss Bershad Hynes & Lerach LLP in San Diego. Other plaintiffs' representatives may follow suit in enlarging class periods to include people who purchased Homestore stock in certain months during 2000 in addition to 2001.

The enlarged legal actions come in the wake of Homestore's announcement yesterday that it will restate its financial results for the year ended Dec. 31, 2000, in addition to restating its quarterly earnings for the first nine months of 2001. The restatements are a result of an inquiry being conducted by the audit committee of the company's board of directors into certain of the company's accounting practices. New numbers are expected to be announced in March.

Seven employees resigned or were fired in connection with the internal audit, according to the company.

The complaints allege that the defendants made false and misleading statements that misrepresented the company's business and financial condition and caused its stock price to increase before those individuals sold their shares, then decrease when the company announced its revenues for certain prior periods had been overstated due to improper accounting for advertising revenues.

Other plaintiffs representatives include Bernstein Liebhard & Lifshitz, Wechsler Harwood Halebian & Feffer, Faruqu & Faruqu and Abbey Gardy in New York; Schiffrin & Barroway in Bala Cynwyd, Pa.; Cauley Geller Bowman & Coates in Little Rock, Ark.; Berger & Montague in Philadelphia, Pa.; Weiss & Yourman, The Neiman Law Firm and Klein & Solomon in Los Angeles; and Levy and Levy in Stamford, Conn.

Missing millions

Homestore issues new estimates of financial restatements

Homestore today provided Nasdaq additional information about its pending financial restatements, including the $76 million overstatement of online revenue last year.

The company announced on Feb. 13 that it would restate its financial results for the year ended Dec. 31, 2000. Based on the results of the inquiry to date, the company has determined that its restated results will reduce its total revenue in the year ended Dec. 31, 2000, by $39 million to $45 million.

The company announced on Jan. 2 that its online advertising revenue for the first three quarters of 2001 was overstated by $54 million to $95 million and that its audit committee's internal inquiry could result in additional restatements.

The company has determined that online advertising revenue for the period was overstated by $76 million to $82 million, and that non-advertising revenue for the period was overstated by $28 million to $31 million.

According to Homestore, approximately $7 million to $23 million of this non-advertising revenue, consisting principally of software and services, will be recorded as deferred revenue at Sept. 30, 2001 and may be recognized as revenue in future periods. The company determined it had not met all of the conditions required to recognize this revenue in the first three quarters of 2001.

The company announced on Dec. 21, 2001 that the audit committee of its board of directors had begun an inquiry into certain of the company's historical accounting practices. The company said it is committed to completing an inquiry of these matters and expects to complete the inquiry and file restated financial statements by mid-March.

A letter from Mike

Homestore CEO thanks Realtors for "offer of continued future support"

Homestore.com's new CEO W. Michael Long has written an open letter to Realtors, thanking them for their "offer of continued future support" for Realtor.com, the homes-for-sale Web site that Homestore operates for the 800,000-member National Association of Realtors.

"Dear Realtor," the letter begins. "I am writing to introduce myself as the new CEO of Homestore."

The letter then points to Homestore's "long-standing partnership" with NAR and touts Realtor.com as "the largest and most comprehensive site on the Internet designed exclusively to keep you, the Realtor, at the center of the homeownership process."

Homestore's new top executives have been pitching the Realtor-centric business strategy as if it were a new direction, but Realtor.com President Steve Ozonian said four months ago that the Web site operator had been turning its attention from creating consumer content to generating leads for Realtors.

The letter then states that Long and Ozonian "traveled more than 20,000 miles meeting with and listening to hundreds of customers" during the last 30 days. Realtors who met with the duo, Long wrote, "shared with us the successes of Realtor.com, the mistakes a fast-growing company like Homestore has made and some great ideas about how we can serve you better."

The letter indicates that Homestore has "implemented a new organization designed to place you, our customer, at the center of all we do." But so far the "new" organization appears to be almost identical to the prior organization, aside from the new former-WebMD names at the top and minus about a thousand employees whose positions were eliminated in the last six months.

"This week we will announce our Customer Advocacy Program, which will make employees throughout our company responsible for directly contacting our customers, understanding their needs and keeping the entire company focused on meeting those needs," Long's letter continues.

The letter then notes that Homestore is "eliminating businesses that do not support our focused objective of making real estate professionals more productive and profitable." The company recently announced the sale of its eNeighborhoods business unit, which was bought back by the original owners. Which other Homestore businesses—if any—have been tagged for disposal hasn't been announced.

Long then reiterated certain claims about Homestore's cash position. He stated that the company expects to report positive cash flow from operations for this year and had $48 million in unrestricted cash available to fund operations as of year-end 2001.

"I am delighted that in a challenging economic climate where so many companies are having financial difficulties, we have the financial resources to meet our customer commitments and fund the growth of our business," Long wrote.

How long $48 million might last or whether Homestore might be able to raise additional capital other than through asset sales remains to be seen. The company is unprofitable, is in the midst of restating its earnings for 2000 and the first nine months of 2001 to the tune of at least $54-$95 million and faces a dozen or so shareholder lawsuits. Trading of its shares was halted on Nasdaq earlier this month in penny-stock territory. The company hasn't announced its financial result for the fourth quarter and full year of 2001, but said the restatements will be finalized next month.

The letter to Realtors closes with a "personal" commitment from Long "to make our products and service more useful to you, to make our business practices meet your needs more effectively, and to be the reliable partner you deserve." Realtors are invited in the letter to send e-mail to Long or Ozonian.

HOMS now HOMSE

Homestore resumes trading with flagged ticker symbol, but Nasdaq may delist

Trading in Homestore.com common stock resumed this morning on Nasdaq under the ticker symbol, HOMSE. The additional E on the end of the HOMS symbol indicates to investors that the company is not in compliance with Nasdaq rules that require Securities Exchange Commission reports be filed with Nasdaq on a timely basis. HOMSE was trading at 66 cents at 11:30 a.m. EST.

The noncompliance with the reporting requirements is a result of Homestore's pending restatement of its financial results for the year 2000 and the first three quarters of 2001. The company has indicated its financial statements for those periods are unreliable.

Nasdaq reportedly has initiated proceedings to delist the company's stock pursuant to the timely reporting rule. The company can stay the process by requesting a hearing before a Nasdaq Listing Qualifications Panel.

Homestore said it will request a hearing next week and expects to comply with the rule by filing its restated financial statements before Nasdaq takes further action to delist the company's stock. The company previously said it expects to file restated financial statements by mid-March.

Homestore yesterday announced it had provided Nasdaq some additional estimates of its expected earnings restatements, but the numbers are still within ranges that amount to millions of dollars. The company said total revenue for the year ended Dec. 31, 2000, would be reduced by $39-$45 million and revenue for the first three quarters of 2001 would be reduced by $104-$113 million—higher than the company's previous outside estimate of $95 million. Estimates of quarterly restatements have not been announced.

The company said the 2001 figures are comprised of an online advertising revenue overstatement of $76-$82 million and a non-advertising revenue overstatement of $28-$31 million, of which approximately $7-$23 million will be recorded as deferred revenue at Sept. 30, 2001, and may be recognized as revenue in future periods.

HomeStore peddling assets

ConsumerInfo.com on block

HomeStore is trying to sell ConsumerInfo.com, a provider of credit reports and other credit-related information to consumers, according to sources who have been contacted to purchase the asset.

Homestore acquired ConsumerInfo.com in August as part of a $151 million deal for iPlace, which was created in February 2000 when California-based ConsumerInfo merged with eNeighborhoods and QSpace. iPlace was one of the first companies to enable consumers to access their credit reports online and to offer an online merged report containing credit information from the three major credit bureaus.

Homestore last month sold the eNeighborhoods business unit to its original founders in the form of a new company, Siegel Enterprises. But that sale did not include the ConsumerInfo.com unit.

A Homestore spokesperson today declined to comment on whether ConsumerInfo is on the block.

The sale of ConsumerInfo could be a rich source of cash for HomeStore.

Homestore hasn't elaborated on the details of its stated intention to make listings and real estate agent lead-generation the core of its business strategy.

But inside the industry, potential buyers are being recruited to purchase certain assets and ConsumerInfo.com is considered one of the most valuable.

Hello, Stuart?

Homestore founder not answering telephone calls

Stuart Wolff has gone missing. The well-known founder and former CEO of beleaguered Homestore.com hasn't surfaced despite a number of attempts by Inman News Features to ascertain his whereabouts and ask him about his future plans.

Wolff's home telephone number—once posted on the Web—apparently has been disconnected and calls to his cell phone have rung unanswered. Attempts to locate him through former associates and colleagues also have proved fruitless.

Wolff's name first surfaced at Inman News Features on Nov. 12, 1996, in a story about the National Association of Realtors' Realtor Information Network's formation of a technology venture—Los Angeles-based RealSelect—with several large financial investors.

"RealSelect will be run by former TCI executive Stuart Wolff," the story read. "Wolff, who will serve as chairman of RealSelect, said that the venture will have two customers, consumers and Realtors."

Wolff remained at the helm of the company, later renamed Homestore.com, throughout its transformation into the multifaceted Web site operator and real estate technology provider that exists today. Along the way, Wolff himself became a household name in real estate technology circles.

The company’s initial public stock offering took place in August 1999 and its shares once traded in the $100-plus territory. But HOMS shares have been trading below $1 a share since the company announced it misstated its earnings for 2000 and the first three quarters of 2001 by more than $100 million. The shares closed today up sharply at $1.23.

Homestore announced Wolff’s resignation on Jan. 7.

So long, Smith

Cendant Corp.’s top real estate executive resigns from Homestore’s board of directors

Homestore.com announced this morning that Richard A. Smith, chairman and CEO of Cendant Corp.’s real estate division, has resigned from Homestore’s board of directors.

Neither Smith nor Homestore CEO Mike Long gave any reason for Smith’s resignation or explained how the defection might affect the relationship between the real estate franchise giant and Realtor.com operator.

But the two made nice in a statement announcing the resignation.

"We thank Richard for his service to the Homestore board and look forward to the continued development and growth of Homestore's comprehensive relationship with Cendant's residential real estate franchise operations," said Long.

"Cendant's residential real estate licensees view Homestore's Web-based applications and technology as the best in the marketplace, and they place great value on those services as customers of Homestore's broker and agent products," said Smith.

The resignation appears to be yet another pothole in Cendant’s rocky-road relationship with Homestore. The two have tangled and tangoed through head-to-head competition, the sale of a major Cendant asset to Homestore, a $300 million lawsuit, Cendant’s ownership interest in Homestore, Cendant’s wholesale purchase of Homestore’s i-Lead product and other business interactions.

But Cendant at the end of last year wrote off its entire remaining investment in Homestore "due to the recent market decline in Homestore.com shares and Cendant’s equity share in the losses of Homestore.com," according to a Jan. 31 statement on Cendant’s Web site.

The write-off was the primary factor in Cendant’s reporting an after-tax non-cash charge of $285 million, or 29 cents per share, and an after-tax loss of $21 million, or two cents per share, in its fourth quarter financial statements. The write-off also substantially offset the gain Cendant recognized in the first quarter of 2001 when it sold its Move.com Web site to Homestore for more than 20 million shares of Homestore stock, a 19 percent interest then worth upwards of $700 million.

Homestore’s stock was trading at $1.15 per share this morning under the five-letter HOMSE ticker symbol that indicates the company is not in compliance with Nasdaq reporting requirements. The company previously announced accounting errors amounting to more than $100 million in its financial statements for 2000 and the first three quarters of 2001 and faces a dozen shareholder lawsuits alleging illegal insider stock trading.

Cendant last year contributed to Homestore's revenues through a bulk discount purchase of i-Lead Web pages for all the Century 21, Coldwell Banker and ERA real estate sales associates. The customized Web pages, which include property listings information, photographs and the like, were purchased in March and activated at Realtor.com in August.

Cendant and Homestore in 1999 narrowly avoided a courtroom confrontation over whether Cendant had been promised an equity position in Homestore's initial public stock offering, only to be left in the cold when the IPO took place, despite having provided exclusive third-party rights for Realtor.com to display home listings of Cendant's three brands. A settlement netted Cendant 250,000 shares of Homestore common stock, then worth approximately $39 per share.

Homestore supplies online media and technology to the real estate industry and operates Realtor.com, the official Web site of the National Association of Realtors; HomeBuilder.com, the official new homes site of the National Association of Home Builders; an apartments and rentals Web site; and Homestore.com, a home information resource.

Homestore: what's it worth?

Analysts say figuring out company's worth is a puzzlement

If Homestore were for sale, would any one want to buy it? And how much would it be worth?

Two securities analysts who follow the beleagured company said it could fetch a decent price on the market, but only if it somehow manages to untangle the web of accounting missteps and shareholder lawsuits in which it currently is ensnared.

"There are many reasons why people should be interested in HomeStore, but there also are a lot of questions up in the air," said Lanny Baker, a research analyst with Salomon Smith Barney in San Francisco. "Given the current disarray, the question is: could someone build a similar company today for less than it would cost to acquire Homestore?"

Baker pointed to Homestore's success at staking out its turf in the real estate Internet business as one of the company's biggest assets. But he added that "serious past mismanagement" could deter any prospective purchasers.

"If they could put a fence around the lawsuits and cap that exposure--and I'm not sure there's a way to do that--then potential acquirers probably would come out of the woodwork," he said.

And who might those acquirers be?

Baker suggested Yahoo! might be interested or a company in the mortgage or loan area might be interested in "the presence Homestore has staked out."

Jim Wilson, managing director with Jolson Merchant Partners in San Francisco, suggested Cendant Corp. would be the most logical buyer because it already owns approximately 18 percent of Homestore and sold its competing move.com platform to the company.

Cendant wrote off its remaining investment in Homestore at the end of last year and the company's top real estate executive this week resigned from Homestore's board of directors.

Homestore’s stock closed at $1.16 today and the company has about 117 million shares outstanding, giving it a market capitalization of $135 million.

Wilson said there would be no reason for a prospective purchase to make a bid right now because Homestore’s shareholder lawsuits, if they prove successful, could wipe out the company’s cash reserves.

"At the moment, anyone assuming the liabilities and the worst case scenario wouldn’t get anything for the stock," he said.

And if a would-be purchaser came forward, placing a fair valuation of Homestore would pose a challenge, according to the analysts, who said not knowing the company’s true financial results would make the task very difficult.

Baker pointed to Yahoo’s recent purchase of HotJobs for $422 million, less $80 million in cash as a possible valuation model. Yahoo! paid about $340 million for HotJobs, which posts about $100 million in annual revenues. That’s a price of about three-to-three- and-a-half times revenues.

"If you could figure out Homestore’s actual revenues, you could get an idea of its value," said Baker, adding that HotJobs had an existing management team, a stable head count and no significant legal liabilities.

Wilson said figuring Homestore’s value for possible sale would go beyond applying revenue multiples. Instead, a valuation might be based on a multiple of cash flow.

"It depends on what kind of earnings and cash flow a suitor thinks Homestore could actually generate," said Wilson. "If they can quantify the cost of the lawsuits--or better yet, settle them--then someone could buy something that was reasonably clean."

Another option might be to sell off Homestore’s individual assets, which appears to be what the company is attempting to do.

Homestore already sold its eNeighborhoods business unit and reportedly is trying to sell ConsumerInfo.com as well.

Baker said other assets like Top Producer also could be worth selling or spinning off.

But Wilson hinted that selling Homestore’s primary product lines might not be the right strategy.

"Homestore’s major assets are the entire Realtors’ desktop, which includes Top Producer and the Web site that goes with it," Wilson added. "I don’t know if you can really separate those out as having independent value."

Homestore’s relationship with the National Association of Realtors and the Realtor.com Web site also would come into play.

"Someone buying the company would clearly want to buy it with the NAR relationship intact," said Baker. "Although a buyer might also say, ‘forget NAR, I’m going to buy it anyway. If they stick with me fine, if not I’m still happy with whatever I get.’"

Either way, Wilson said, the Homestore-NAR relationship would impact any hypothetical sale of the company.

"Anyone buying Homestore would be selling into NAR’s marketplace," he said, "and as such would definitely want to have a positive close working relationship with the organization."

MemberWorks sues Homestore

Former iPlace owner claims HOMS stock remains unregistered

Yet another lawsuit has been filed against Homestore.com, and this one has the potential to block the company’s sale of certain iPlace-connected assets.

Stamford, Conn.-based MemberWorks (Nasdaq: MBRS) announced it has filed a legal action against Homestore, a motion for a temporary restraining order, preliminary injunction and expedited discovery, and an application for prejudgment attachment.

The lawsuit concerns Homestore’s August acquisition of iPlace, a company formed through prior mergers of ConsumerInfo, eNeighborhoods and QSpace. The consideration Homestore paid for MemberWorks' equity interest in iPlace consisted substantially of Homestore common stock, valued in the merger agreement at approximately $36 million, or $22 per share, according to MemberWorks.

But MemberWorks in its lawsuit alleges that Homestore neglected to file a registration statement for those shares with the Securities Exchange Commission before Dec. 22, as provided in the agreement.

Homestore announced on Dec. 21 that would restate certain prior financial statements and later said the restatements related to its overstatement of more than $100 million of advertising revenue.

MemberWorks said it hasn’t been able to sell any of the Homestore shares because they aren’t registered.

Homestore recently sold the eNeighborhoods business unit of iPlace to Siegel Enterprises and reportedly is seeking a buyer for the ConsumerInfo.com unit of iPlace. But MemberWorks is seeking an order enjoining Homestore from selling iPlace or any of iPlace's assets.

MemberWorks in its complaint asserts a laundry list of causes of action against Homestore, including securities fraud, common law fraud, negligent misrepresentation, unjust enrichment, violation of the Connecticut Unfair Trade Practices Act and breach of contract.

MemberWorks design membership programs that offer consumers services and discounts on healthcare, personal finance, insurance, travel, entertainment, computing, fashion and personal security products and services through affinity, marketing and online channels.

Does i-Lead lead to leads?

Some Realtors swear by Realtor.com’s business-getting service, others pan it

Does Realtor.com’s i-Lead package really help Realtors bring in new business? Some say yes. Others say no.

Take Brian and Kay Bell of RE/MAX One in Mesa, Ariz. The duo last weekend helped five buyers sign purchase contracts—and three of the five came to the Bells through the I-Lead service.

"We work with a lot of out-of-town buyers, and about 90 percent of them come to us through Realtor.com," said Kay Bell, who just renewed her Realtor.com platinum-level membership. "Not a day goes by that we don't get a new lead through Realtor.com."

Or consider Brad Korn of 60-agent RE/MAX Professionals in Blue Springs, Mo., who began using Realtor.com about four years ago. He received 315 e-mail messages last year from prospective buyers who had viewed his Realtor.com Web site, and he turned 15 of those leads into closed transactions. He already has 115 more messages in his in-box this year.

"For $500 or $600 a year, you can't afford not to have your name attached to your listings," he said. "(Realtor.com) is where the majority of the consumers are going for home searches."

Mike Garrett, broker/owner of Prudential Select Properties in Henderson, S.C., calls his purchase of i-Lead "the best advertising dollar" he spends.

He's used the service for about two years and receives inquiries through it every day. Nearly 60 percent of the inquiries are about properties at Kerr Lake, a nearby resort area.

Garrett has encouraged his 11 agents to sign up for i-Lead, but he said they've been slow to act on it. "Those that have," he said, "are already starting to reap rewards from it."

But then take Joe Di Tore, a Realtor with RE/MAX Real Estate Specialists in Long Beach, Calif., who signed up for the i-Lead service about two years ago.

Di Tore shelled out $1,200 to have a Web site built, then posted his name on Realtor.com in such a way that prospective home buyers could click on it and get to his Web site. Once there, they could navigate between his Web site and Realtor.com to view for-sale homes.

Di Tore canceled his subscription after a year and went back to selling homes using the tried-and-true method of building relationships with buyers and sellers.

"I just didn't get any business from it," said Di Tore. "I analyzed where I was spending my money and where my business was coming from, and I realized 100 percent was coming from the way I had always done business."

John Cox, a broker associate with RE/MAX Prime Properties in Pinehurst, N.C., has seen solid results from his investment, but hasn't been completely satisfied with Homestore's responsiveness.

Cox, who runs a 10-agent office, last year closed two sales for buyers who came through Realtor.com's XLerator function.

He said he typically gets four of five potential buyers each month through XLerator, which allows i-Lead members to market their own services to qualified prospects based on the buyer's search activity.

Cox has had a Web site on Realtor.com for two-and-a-half years and has used XLerator since June.

But Cox said Homestore's customer support went downhill when the company scaled back its staff.

"Trying to get support when something goes wrong can be very difficult," he said, referring mostly to technology glitches with the XLerator program. "I know Homestore has to make money, but they're doing it at the expense of the Realtors."

Cox said in the past he received frequent e-mail messages from a Homestore employee, asking for feedback on the XLerator program.

But that employee is gone and so is Cox's support.

"When I send messages about something that doesn't work, I get an automated response message back," he explained. "But I never hear from anyone about what caused the problem. Suddenly, it starts working again."

ConsumerInfo sold

Homestore adds $130 million cash to coffers

Homestore announced today it has entered into a definitive agreement to sell its ConsumerInfo.com division to Experian for $130 million in cash.

The transaction is subject to certain closing conditions.

ConsumerInfo.com provides online consumer credit reporting and monitoring services.

"The sale of ConsumerInfo.com is consistent with our stated objective of focusing on our core real estate businesses," said Homestore CEO Mike Long. "This transaction divests Homestore of a business that is not central to our real estate focus and allows us to redeploy substantial resources to our primary business objective--making real estate professionals more productive and profitable."

Experian provides information technology and customer relationship management services and has annual sales of approximately $1.5 billion.

Homestore operates Realtor.com, an official Web site of the National Association of Realtors, among other homes-related Web sites.

Cash in hand

Homestore to get $130 million for ConsumerInfo.com

Homestore.com this morning announced the sale of another asset—the ConsumerInfo.com business unit of iPlace. The sale is in line with Homestore's efforts to strengthen its business model, but the move raises capital at the expense of cash flow and faces a potential stumbling block in the form of a pending legal action by MemberWorks.

Homestore CEO Mike Long said the $130 million cash deal with Experian is consistent with Homestore's objective of focusing on its "primary business objective—making real estate professionals more productive and profitable."

ConsumerInfo had been a positive contributor to Homestore's cash flow, which means the sale increases cash in hand now at the expense of cash coming in the door in the months and years to come. Homestore said today it expects to generate positive cash flow from operations by the end of this year, but as a result of the sale the company no longer is projecting positive cash flow from operations for the year overall.

A Homestore statement said the net proceeds will substantially strengthen the company's balance sheet. Company spokesperson Dan Wool added that the funds will be used primarily for ongoing operations and investments in customer needs.

Homestore acquired ConsumerInfo.com in August as part of a $151 million purchase of iPlace, which was created in February 2000 when ConsumerInfo merged with eNeighborhoods and QSpace. Homestore last month sold the eNeighborhoods part of the package to Siegel Enterprises for an undisclosed price.

But Stamford, Conn.-based MemberWorks earlier this month filed a motion for a temporary restraining order and other legal remedies in an effort to stop Homestore from selling any of the iPlace-related assets.

MemberWorks alleges that Homestore neglected to file a registration statement with the Securities Exchange Commission for approximately $36 million of Homestore stock that was a substantial portion of the consideration Homestore paid MemberWorks for its equity interest in iPlace. MemberWorks said it hasn't been able to sell any of the Homestore shares because they aren't registered. The shares were worth about $22 each at the time Homestore acquired iPlace, but were trading slightly below $2 a share this afternoon.

Wool said the company doesn't comment on pending litigation, but doesn't believe MemberWorks will be able to block the asset sales.

The sale of ConsumerInfo.com is subject to customary closing conditions, including clearance by the Federal Trade Commission and the U.S. Justice Department under The Clayton Act's Hart-Scott-Rodino provisions, which require parties to any merger larger than $50 million to provide prior notice to the FTC and Justice department, then wait a preset number of days before consummating the merger.

Homestore operates Realtor.com, an official Web site of the National Association of Realtors, HomeBuilder.com, an official Web site of the National Association of Home Builders, Homestore.com Apartments & Rentals and Homestore.com, a home information resource.

An acquired asset

Welcome Wagon still on the road at Homestore

ENeighborhoods--sold. ConsumerInfo.com--sold. Could Welcome Wagon be next?

The question at the moment is mere speculation, but the company is one Homestore asset that might be attractive to buyers if the Westlake Village, Calif.-based operator of Realtor.com and other homes Web sites wanted to sell it.

Homestore acquired Welcome Wagon 13 months ago as part of its purchase of Move.com from Cendant Corp.

A Homestore statement at that time said the company represented more than 35,000 merchants and reached 1.8 million new homeowners annually. Homestore planned to utilize the 72-year-old brand to expand and enrich its own local retail e-commerce business strategy.

One would-be buyer is Stuart Siegel, who last month bought eNeighborhoods from Homestore for an undisclosed sum. Siegel Enterprises spokesperson Laurie Edwards this week said Siegel has expressed a strong interest in acquiring Welcome Wagon.

Welcome Wagon is a direct marketing program that aims to introduce participating neighborhood retailers and their services to new homeowners. The company originally relied on some 2,200 representatives, who stopped by the homes of new homeowners with gifts and coupons from local merchants, who paid for the door-to-door marketing effort. But Cendant in 1999 let go most of the Welcome Wagon reps because housewives had entered the workforce and the reps were knocking on doors where no one was home.

The program was revived on the Web in 2000. Home buyers today can visit WelcomeWagon.com to find lists of local merchants and request a Welcome Wagon gift package that includes a free address book and coupons for neighborhood merchants.

Restricted cash

Judge denies Memberworks' attempt to delay Homestore's sale of ConsumerInfo.com

A U.S. District Court judge today pulled the plug on MemberWorks' attempt to block Homestore's sale of its iPlace-related assets, but the judge also ruled that a portion of the cash proceeds from the sale must be set aside in a constructive trust, according to a Homestore statement issued this afternoon.

Judge Janet Arterton of the U.S. District Court in Connecticut denied Memberworks' request for a temporary restraining order and a preliminary injunction that would have prevented Homestore from completing its planned sale of ConsumerInfo.com. But the judge decided that $58 million—an amount subject to future adjustment—of the $130 million the company expects to receive from the sale of ConsumerInfo.com must be placed in a constructive trust. Arterton also ordered the case transferred from Connecticut to the Central District of California, where class-action lawsuits alleging violations of securities law are pending against Homestore.

Homestore said it believes the imposition of a constructive trust on the proceeds of the ConsumerInfo.com transaction is unnecessary and the company intends to seek elimination or reduction of the trust in the appropriate forum.

A constructive trust is a complex legal mechanism though which a court may impose a set-aside of funds in certain circumstances that might involve a legal action for unjust enrichment. The practical implication in this case appears to be that the sale of ConsumerInfo.com may be consummated, but Homestore's use of the cash may be hindered at least temporarily.

Homestore CEO Mike Long said the company is "pleased the judge has allowed the sale of ConsumerInfo.com to proceed as planned."

The Westlake Village, Calif.-based operator of Realtor.com and other homes-related Web sites acquired ConsumerInfo.com as part of its $151 million acquisition of iPlace in August and has entered into a definitive agreement to sell the online credit reporting service to Experian in a $130 million cash deal. Memberworks was the majority owner of iPlace.

MemberWorks had alleged that Homestore neglected to file a registration statement with the Securities Exchange Commission for approximately $36 million of Homestore stock that was a substantial portion of the consideration Homestore paid MemberWorks for its equity interest in iPlace. MemberWorks said it hadn't been able to sell any of the Homestore shares because they aren't registered.

The shares were worth about $22 each when Homestore acquired iPlace and closed at $2.01 today.

Head of the class action

California State Teachers Retirement System named lead plaintiff in Homestore lawsuits

The U.S. District Court in Los Angeles has named the California State Teachers' Retirement System the lead plaintiff in more than 19 consolidated lawsuits against Homestore and several former executives of the company. As lead plaintiff, CalSTRS will represent the claims of all the shareholders, contract for legal representation and provide testimony at trial, if necessary.

"We're pleased to take on this responsibility to represent the many who have suffered from unfair dealings by a few," said CalSTRS CEO Jack Ehnes. "Shareholders must actively pursue these claims to put a spotlight on improper business practices while seeking recovered lost value."

CalSTRS won't receive any payment as lead plaintiff, other than reimbursement for court-approved costs and expenses and its prorated share of any recovery given to all members in the lawsuit.

The pension fund has begun a competitive process to select a lead counsel firm and expects to announce its decision by April 25. The choice is subject to court approval.

CalSTRS estimates its Homestore losses at more than $9 million on more than 431,000 shares purchased from May 4, 2000, to December 21, 2001, the time period cited in the lawsuits. The suits allege Homestore falsified financial statements and engaged in accounting irregularities.

Other defendants in the legal action include Homestore's former CEO Stuart H. Wolff, COO Peter B. Tafeen and CFO Joseph J. Shew, all of whom resigned from the company shortly before or after the company announced an internal review of certain accounting practices.

CalSTRS has a $102 billion investment portfolio and is the country's third largest pension fund. The pension system serves approximately 687,000 members and benefit recipients.

ConsumerInfo cut loose

Homestore gets $130 million, but judge orders $58 million set-aside

Homestore (Nasdaq: HOMSE) today announced it completed the sale of its consumer credit information service ConsumerInfo.com to Experian for $130 million in cash.

The sale went forward after a U.S. district court judge last week denied Stamford, Conn.-based Memberworks' request for a temporary restraining order and a preliminary injunction that would have blocked Homestore from selling any of its iPlace-related assets. But the judge also ordered Homestore to set aside $58 million of the $130 million from the sale of ConsumerInfo.com in a constructive trust.

Homestore expected to receive net proceeds of approximately $115 million from the sale after transaction fees and partial escrow, according to the company's amended 2001 Form 10-K filed yesterday with the Securities and Exchange Commission. The 10K also stated that MemberWorks, one of the former owners of iPlace, obtained a court order requiring Homestore to set aside $58 million of the purchase price against a potential claim MemberWorks has against Homestore.

Homestore last week said the $58 million set-aside was unnecessary and that the company intended to seek elimination or reduction of the amount in the appropriate forum.

Homestore acquired ConsumerInfo.com in August as part of a $151 million purchase of iPlace, which was created in February 2000 when ConsumerInfo merged with eNeighborhoods and QSpace.

The real results

Homestore lost $1.47 billion in 2001, including $925 million in fourth-quarter write-offs

Homestore (Nasdaq: HOMSE) today announced revenues of $325 million last year and a net loss of $1.47 billion, or $13.64 per share, including the effects of restating its financial results for the first three quarters of the year and taking $975 million in one-time charge-offs related to prior acquisitions, devaluation of long-lived assets and a company restructuring.

Homestore CFO Lew Belote said the results "involve significant one-time charges that make comparative analysis difficult (and) are not indicative of current or future trends."

The company reported revenue of $181 million and a net loss of $146 million, or $1.83 per share, in 2000.

The net loss for 2001 excluding the one-time charges was $490 million, or $4.56 per share.

Today’s announcement included an update on the company’s cash position. At year-end 2001, Homestore had approximately $52.2 million in cash and cash equivalents available to fund operations, plus $98.5 million of restricted cash.

Those figures at March 31, 2002, were estimated to have been $28 million in cash and cash equivalents. But today's closed sale of ConsumerInfo.com is expected to increase those balances to $85 million in unrestricted cash and $160 million in restricted cash. The company said the restricted cash amount could increase further as a result of customary escrow items and resolution of a $58 million court-ordered set-aside in connection with the sale of ConsumerInfo.com.

The company also announced its financial results for the fourth quarter of last year. Revenue increased to $97.2 million in the fourth quarter compared with $52.6 million for the fourth quarter of 2000. The net loss for the 2001 fourth quarter was $1.1 billion, or $9.51 per share, including the effect of a $925 million write-off. Excluding those charges, the company had a net loss of $146.6 million, or $1.26 per share, in the fourth quarter of 2001 compared with a net loss of $53.6 million, or 65 cents per share, for the fourth quarter of 2000.

The company took the huge write-off in the recent fourth quarter after assessing the current fair market value of certain long-lived assets, primarily goodwill and other acquired intangible assets.

The company also reversed $81.6 million in revenue for the first nine months of 2001 after an internal audit of its financial practices found certain transactions had been improperly recorded as independent cash transactions, but in fact were reciprocal exchanges that should have been evaluated as barter transactions. The audit determined there was insufficient basis to establish the fair value of those exchanges.

The company also determined that $37.4 million in revenue from software products and services in the nine-month period didn't meet all revenue recognition requirements. That revenue now has been recorded as deferred revenue on September 30, 2001, and will be recognized as revenue over the next one to two years as the services are delivered.

Homestore's early adoption of an accounting board standard that requires companies to report certain consideration given by a vendor to a customer as a reduction in revenue resulted in a $4 million reduction in reported revenue and expenses, with no effect on net loss or net loss per share, in the same nine-month period, the company reported.

As a result of these adjustments, reported revenue for the nine months was reduced from $351 million to $228 million, the reported net loss increased from $245 million to $359 million and the reported net loss per share increased from $2.35 to $3.44.

Homestore today filed its full-year audited financial results on Form 10-K with the Securities and Exchange Commission. The company's restated quarterly results for the quarters ended March 31, June 30 and September 30, 2001, were filed with the SEC on Forms 10-Q/A on Friday. Belote said the new SEC filings have resolved Homestore's accounting issues.

Homestore said, VideoHomeTours said

Realtor.com operator refutes video tour company's accusations, says process improved

Homestore has been tweaking its virtual tour system for the last few months and real estate agents are responding favorably to the changes, according to Jonathan Greenblatt, general manager of imaging for the Westlake Village, Calif.-based company.

But one vendor of virtual tours has been quite outspoken about his distaste for some of Homestore's new processes.

Brian Balduf, CEO of Chicago-based VideoHomeTours, said the changes HomeStore has made to its imaging program have had "a significant negative impact on agents, brokers, MLSs and associations."

Balduf said HomeStore in January began charging agents $40-$60 to post virtual tours with for-sale homes listings on Realtor.com and this month exited the photography business and began charging agents for photo services "even if they already paid for (the tours)."

"(Homestore) has decided to not take any responsibility for photography services (and)...in a bold act of deceptive practices, is now offering agents two or three 'self-service tours' (read: prepaid advertising credits) for every full-service tour that the agents have already purchased/paid for," he said. "This means if you already paid HomeStore to shoot a virtual tour, you now have to go out and find someone else to shoot it and pay that photographer."

But Greenblatt called Balduf's statements "completely false."

HomeStore has made significant changes to its virtual tour system over the last few months, Greenblatt said, but continues to offer two core virtual tour products: HomeTour360, which supports iPIX and Panoramic technologies, and PicturePath. HomeStore still handles the technology, hosting and distribution for the tours.

But what has changed is Homestore's servicing of such products.

Greenblatt said some changes were implemented after HomeStore CEO Mike Long, Realtor.com President Steve Ozonian and other top executives conducted a broad assessment of the entire company--virtual tours included--in January.

"Mike and Steve met directly with brokers and agents and gathered a lot of feedback," said Greenblatt. "In doing so, they realized our virtual tour system needed improvement."

He said customers used to call a central office in Toronto to order their tours, then wait for a local service provider, usually a photographer, to set up an appointment to shoot the home. The service provider then would ship the images back to Toronto and wait for HomeStore to post the virtual tour on the Internet. Customers who needed help had to call the central office, then be routed to the service provider for answers.

"It was an unwieldy process," said Greenblatt. "Orders were taking too long and even once a tour was photographed and processed, it was taking too long to get it posted on the Internet."

Homestore's view is that removing itself from the middle of the process and having customers pay the photographers directly streamlined a once-cumbersome system. The functions once performed by the central office in Toronto now are being handled at other existing HomeStore locations.

Greenblatt said Balduf's statement about HomeStore's "new" posting fee is incorrect and that the fee, which is paid by the service providers, not the brokers or agents, always has been in place and currently is $40, not $40-$60.

He said the service providers set prices for virtual tours and will continue to do so under the revised system.

"Prices will go either way and will be dictated by the market," he said. "In some markets, they may be a little more expensive, in other markets it'll be a little less."

Greenblatt said Balduf's assertion that HomeStore has left already-paid customers hanging when it comes to refunds also is false.

"We're willing to refund the service portion of the tours so they can then pay the service provider directly," said Greenblatt, adding that serveral customers have already used the refund process. "Alternatively, we're also offering 2-for-1 and 3-for-1 self-service tours, and some (customers) are taking us up on that as well."

Greenblatt said Homestore's customers are happy with the changes because they're getting better service and their virtual tours are being posted on the Web faster than they were with the old system.

HOMS again

Homestore survives Nasdaq delisting hearing, regains E-less ticker symbol

Westlake Village, Calif.-based Homestore today announced a Nasdaq Listing Qualifications Panel has decided to continue the listing of Homestore's common stock on The Nasdaq National Market and that Homestore's ticker symbol will be changed back from HOMSE to HOMS when the market opens tomorrow morning. The company said the determination was made following a hearing of the Nasdaq Listing Qualifications Panel last week.

The additional E was added to the HOMS symbol in late December to indicate to investors that the company was not in compliance with Nasdaq rules that require Securities Exchange Commission reports be filed with Nasdaq on a timely basis. The company filed amended financial statements with the SEC at the end of last month and now appears to be in compliance with Nasdaq's timely reporting rule.

Homestore supplies online media and technology to the real estate industry. The company operates Realtor.com.com, HomeBuilder.com, Apartments & Rentals and Homestore.com, a home information Web site.

New payment plan

Homestore, National Association of Realtors renegotiate Realtor.com contract

Homestore.com and the National Association of Realtors have renegotiated the agreement that grants Homestore subsidiary RealSelect the right to operate NAR's official Realtor.com Web site, according to Homestore's preliminary proxy statement filed yesterday with the Securities and Exchange Commission.

The revised agreement sets fixed annual installment payments of $1.175 million this year, $1.3 million in 2003, $1.4 million in 2004, $1.5 million in 2005, $1.5 million adjusted for inflation in 2006 and continued payments of prior-year amounts plus or minus adjustments for inflation in 2007 and beyond.

The original November 1996 operating agreement called for Homestore to make quarterly royalty payments of up to 15 percent of RealSelect's operating revenue in the aggregate to NAR and MLSs that provide property listings to Realtor.com.

Homestore.com's proxy statement also includes a proposal for shareholders' consideration that would drop the dot-com from the company's name, changing it from Homestore.com to Homestore.

The company's annual meeting of shareholders is scheduled to be held May 22 at 10 a.m. PST at a to-be-announced location.

How to use Realtor.com

Homestore CEO says company needs to train customers on lead management

Homestore.com CEO Mike Long recently told a forum of Realtor association executives that the company needs to provide more training to real estate agents who purchase its products and services.

He said the company does a good job of generating leads for real estate agents, but hasn't followed through on helping all of them understand how to turn those leads into bottom-line business.

"We are in fact generating a lot of leads for Realtors. In February we generated about 1.5 million leads for the industry," Long said. "And those were (only) the ones we were able to track within the system."

But some Realtors "aren't getting any leads" and others "don't understand how to use the product or know what to do with the lead," he said. "In many cases, we haven't trained our customers how to use these products and services to the best advantage. That's a real problem."

Long said Homestore hasn't formed the right partnerships with Realtor associations and brokerage companies that have the infrastructure to provide training opportunities.

"We can extend the generation of leads into lead management and help real estate professionals be more successful," he said.

Long said he is "a bit pessimistic" about whether Homestore eventually will deliver an end-to-end transaction management platform. That part of the system is more likely to come through joint efforts with other technology providers.

"I'm a little skeptical that our company can deliver that end-to-end solution, but we can partner with players and the industry and (Realtor associations) to deliver a better solution as far as providing technology support to Realtors and helping them close transactions more efficiently, more accurately and faster," he said.

Long also said Homestore could position itself as a technology supplier to assist real estate practitioners in their efforts to evaluate and choose technology products.

"The issue for us is whether we in fact can demonstrate that we're a reliable technology partner for the industry, and we are intending to do that," he said.

Long and Realtor.com President Steve Ozonian answered some tough questions at the forum, which was organized by the National Association of Realtors and moderated by former NAR President Richard Mendenhall.

Welcome Mike Long, good-bye culture of 'arrogance'

One of former Homestore CEO Stuart Wolff's chief lieutenants was Peter Tafeen, a hardworking, smart and intense young man who some observers say embodied the culture of "arrogance" at the online realty company. According to the firm's new CEO Mike Long, it was that culture that spawned problems for Homestore, which was started by Wolff and the National Association of Realtors.

Tafeen was allegedly not fond of the Inman news company and reportedly once said he was going to "crush" Inman.

We are happy for the online real estate industry and NAR that the old crowd at Homestore has moved on. We will miss Stuart Wolff's brain; he had a vision and set a path for the industry that helped to accelerate change in a business that rests too often on its laurels.

But the new management seems more inclined to incite change without intimidation or conceit.

The haughtiness at Homestore was first confronted last year when 2001 NAR President Richard Mendenhall challenged HomeStore about their Web site deal with Bank of America. That was the first time NAR publicly chastised HomeStore.

In fact, breaking down the superciliousness in the online enterprise started with Mendenhall, who came to his NAR position more humbly than did his two predecessors--Dennis Cronk and Sharon Millet.

Quite frankly, we are pleased for the real estate industry that new leaders are in charge at both NAR and Homestore. In the long run, both Realtors and consumers will be better served.

Bargain basement

Homestore sues Bargain.com for alleged misuse of Realtor.com data, deep linking

Homestore.com (Nasdaq: HOMS) announced yesterday afternoon it has commenced a lawsuit against Bargain Network in U.S. District Court in Los Angeles.

The suit seeks an injunction against Bargain Network's alleged collection and display through its Bargain.com Web site of real estate listing information obtained from the Realtor.com Web site that Homestore operates through its RealSelect subsidiary.

Homestore also is seeking an injunction against Bargain Network's alleged practice of deep linking from Bargain.com to detailed real estate listings contained within the Realtor.com Web site. Homestore is seeking monetary damages in addition to injunctive relief.

Homestore through RealSelect obtains and aggregates North American real estate listings under license from multiple listing services for display on the Realtor.com Web site, which is an official Web site of and operated on behalf of the National Association of Realtors. More than 1.7 million homes are listed for sale on Realtor.com, according to Homestore.

The Westlake Village, Calif.-based company said its lawsuit seeks to protect MLS data from being commercially exploited without authorization.

The complaint alleges multiple causes of action, including trespass, false advertising, breach of contract and unfair competition.

Refund, please

Homestore’s virtual tour policies befuddle, frustrate real estate practitioners

For three years Laura Worthington used Realtor.com’s virtual tour services, powered by iPIX technology and shot by a local photographer. And when Homestore revamped the service last year, she believed neither the pricing nor the service level would be altered.

But it didn’t take long for her to notice some big differences.

First came the price hikes, followed by a big shock: there was no longer a photographer in her area who could go to the homes and shoot the tours.

Worthington, a broker/salesperson and branch manager at Realty Executives of Nevada in Henderson, Nev., said she's lost business as a result.

"When you tell homeowners they're going to have a virtual tour, then you order it six times and no one calls you back, the (homeowner) holds you responsible," she said.

Worthington said the original photographer quit and the new one only works part-time on weekends, making it difficult for Worthington to contact her, let alone get tours shot.

"We never even received the few she did manage to shoot a month ago," said Worthington. "Even when she did show up, she didn't deliver."

Worthington said her choices have been severely limited since Homestore removed itself from the virtual tour process and placed the responsibility on local contracted photographers.

"For a while we had no one," said Worthington.

Currently, she is relying on the original iPIX/Realtor.com photographer, who has started her own business.

Worthington said she asked Homestore for a $5500 refund of money paid in advance for several 25-tour packages and that the company at first agreed, but then contracted a new photographer and promised a return to regular service.

But now, Worthington said, the company isn't returning her calls.

Glenda Ide, owner/broker of Reece & Nichols Ide Capital Realty in St. Joseph, Mo., also is having a hard time getting a live person to answer the telephone at Homestore.

She said she called the company a few weeks ago to discuss development of a company Web page and find out why Homestore had switched to outsourcing virtual tours. She came away from that conversation feeling better about the situation, but when she called back last week to schedule three virtual tours, the phone rang endlessly.

She hung up, then tried again later and was able to leave a voice mail message. But no has returned her call, she said.

Ide also started using Homestore's virtual tour service about three years ago. Her eight-agent office buys about 100 virtual tours per month—one for every home listing.

She said she stopped buying virtual tours in packages when her photographer told her about Homestore's financial difficulties.

"Homestore's not doing virtual tours and I understand that, but the fact that iPIX was associated directly with Realtor.com--and that all of the virtual tours are posted to Realtor.com--was of real concern to me," said Ide. "Not to the mention the fact that I now have to pay $50 to upload virtual tours to Realtor.com."

Ide also said she often enounters problems coordinating the two MLSs to which she belongs for posting the virtual tour information and that leads to confused sellers.

"It's a real mess with them not knowing where to post those virtual tours," said Ide. "My sellers become unsatisfied when they don't know what I'm doing and quite frankly I don't know either."

Ide today is using a different virtual tour provider, but seems bittersweet about the loss of Homestore's services.

"I was honestly more satisfied with iPIX," she said.

Pirates of the Internet

Homestore lawsuit accuses Bargain Network of scraping, reselling Realtor.com data

A new lawsuit in the real estate dot-com space might not rise to the level of Napster's infamous legal battle with the music industry, but the case in which Homestore.com accuses Bargain Network of using automated querying programs to misappropriate Realtor.com listings information has all the hallmarks of a fascinating legal debate over what is and isn't legal in cyberspace.

In a 35-page complaint, a copy of which was obtained yesterday by Inman News, Homestore alleges that Bargain Network, operator of the Bargain.com Web site, has been employing robots, spiders, intelligent agents and the like to access and repackage listing information copied, or "scraped," from Realtor.com and using deep linking technologies to bypass Realtor.com while selling access to Realtor.com's content through Bargain.com to Internet users.

The complaint charges that Bargain Network's querying programs access Realtor.com "thousands of times a day" and that Bargain Networks methods of displaying scraped data interfere with Homestore's ability to control the presentation of that data and display sponsors' links, advertisements, gift, coupon and promotional offerings and opportunities to request assistance from local real estate brokers. The complaint also alleges that Bargain.com's bypassing Realtor.com deprives Homestore of opportunities to collect demographic information from Internet users and potentially jeopardizes Homestore's contractual relationships with its content providers, business allies, sponsors, advertisers and customers.

The causes of action alleged in the complaint are customarily both broad and numerous. The complaint states that Bargain Network's "unscrupulous activities constitute trespass to chattels, computer fraud and abuse, false advertising, breach of contract, unfair competition, tortious interference with contractual relations, tortious interference with prospective economic advantage, misappropriation and conversion." Whether all, some or none of those causes will prove actionable in the judicial system will be for the California district court where the lawsuit was filed to decide.

Homestore's complaint also charges Bargain Network with violating the terms of use posted on Homestore's Web site. Those provisions expressly prohibit users from using automated querying programs to scrape data from Realtor.com and other Homestore cyberspace properties.

Those types of prohibitions on reuse of Web site data aren't unusual. In fact, Bargain.com's terms of use also contain similar admonitions: "

Homestore's complaint also mentions that Realtor.com pays substantial sums of money to obtain its listings data, pays royalty fees to a National Association of Realtors subsidiary for use of the Realtor.com domain name and does not charge Internet users for access to Realtor.com.

Bargain Network charges a one-time initial "shipping and handling" charge of $1.95 (online signup) or $8.95 (telephone signup) for printed membership materials (fee waived for "online membership"), then $8.95 monthly after a free introductory 30-day membership. The member's credit card is charged automatically each month unless the member proactively cancels the membership.

Goleta, Calif.-based Bargain Network and its owners and executives remain a mystery, in part because the company's Web site contains only scant corporate information. The "Company Contact" page offers one general information "800" telephone number and some anonymous e-mail addresses, and the "About Us" page offers essentially the same marketing information found elsewhere on the Web site.

Repeated calls to the company were answered by a receptionist who was unaware of the legal action and bewildered by requests for an interview. No one from the company was available to comment.

A Homestore spokesperson said the company cannot comment on the dispute because it is a matter in litigation.

Realtor.com shows Realtors the money

New agreement promises predictable royalty payments through 2007 and beyond

Homestore.com and the National Association of Realtors last month renegotiated the agreement that grants Homestore subsidiary RealSelect the right to operate NAR's official Realtor.com Web site.

The original November 1996 operating agreement called for Homestore to make quarterly royalty payments of up to 15 percent of RealSelect's operating revenue in the aggregate to NAR and MLSs that provide property listings to Realtor.com.

But the original arrangement was cumbersome mainly because Homestore's revenues and expenses fluctuated from quarter-to-quarter, making it hard for NAR to predict its cut, according to Bob Goldberg, SVP of marketing and business development for NAR.

"It was difficult for either of us to come up with a predictable amount," said Goldberg, who also is CEO of Realtors Information Network, which has the contract with RealSelect to operate Realtor.com.

Rather than trying to estimate Homestore's revenues and NAR's cut, the revised agreement sets fixed annual installment payments of $1.175 million this year, $1.3 million in 2003, $1.4 million in 2004, $1.5 million in 2005, $1.5 million adjusted for inflation in 2006 and continued payments of prior-year amounts plus or minus adjustments for inflation in 2007 and beyond.

"We all agreed that it would be best to use a fixed amount, so we'd know what we'd be receiving and Homestore would know what it was spending on a quarterly basis," said Goldberg. "Before, I think we were paying the accountants more money just to figure it all out."

Goldberg said the new agreement is very favorable for NAR from a royalty perspective because the funds that are raised through it go toward helping to support the Realtor.com product.

"We have a group whose job it is to work with Homestore and our members, brokers and MLSs to make sure things run smoothly," said Goldberg. "These funds cover the staffing that helps support the product."

Those operations are running more smoothly than ever these days, Goldberg said, thanks to Homestore's new management. He said Mike Long and crew have been not only talking the talk, but also putting that talk into action when it comes Realtor.com products.

"They've been delivering better value to the membership and are now more responsive to the members," said Goldberg. "That's a positive change, and something we didn't see before to the degree that we're seeing now."

Who owns Homestore?

Largest shareholders now two large investment advisors

Homestore's ownership is sliced up among a hodgepodge of investors, but two Los Angeles-based investment advisors--Capital Research and Management Co. and Amerindo Investment Advisors--own the biggest stakes, according to Homestore's new proxy statement.

Together, the two firms own 16.9 percent of Homestore's outstanding shares. Cendant is the next largest shareholder, owning 16.3 percent through its Cendant Charitable Foundation.

Venture Capital firm Kleiner Perkins holds onto 3.5 percent of the online realty venture, and the National Association of Realtors now has 3.3 percent.

The proxy shows that new Homestore CEO Michael Long owns 1.3 percent of the firm. His holdings include 4,146 shares and 1.625 million in options, which fully vest next month. His exercise price on the stock is $1.76 per share. HOMS is trading at $2.42 today.

Long's compensation includes annual base pay of $500,000 and a signing bonus of $500,000. He is also entitled to a performance bonus of $500,000 this year.

The proxy also shows that Realtor.com President Steve Ozonian earned $325,000 in salary last year and $603,000 in other annual compensation. This year, he will be paid a $400,000 bonus on May 15. Plus, he has a new compensation package that includes annual base pay of $325,000 and eligibility for a performance bonus up to 200 percent of his base salary.

Ozonian was granted options to purchase 400,500 shares of the company at an exercise price of $2.25 per share and another 555,000 shares at $1.76 per share. Most of these shares vest over a four-year period.

Homestore reports quarterly financial results

Company reports loss from continuing operations of $35.7 million

Westlake Village, Calif.-based Homestore (NASDAQ:HOMS) today reported first quarter revenue of $74.1 million, up 16 percent from $63.8 million for the first quarter of last year. The loss from continuing operations was $35.7 million, or $0.30 per share, compared with the loss of $99.8 million, or $1.05 per share, for the first quarter of last year.

The net loss for the quarter was $34.8 million, or $0.29 per share, compared with the loss of $99.8 million, or $1.05 per share, for the first quarter last year.

The results for the current quarter reflect the classification of the company's ConsumerInfo division as discontinued operations. There was no effect on the first quarter of last year since this division was not acquired until the third quarter of that year. The ConsumerInfo division was sold for $130 million in cash on April 2. The gain on the sale of approximately $10 million will be reflected in the company's second quarter results.

Included in the company's results for the quarter were certain non-recurring income and expenses. The company recorded other income for the quarter of approximately $10.8 million from the Real Estate Technology Trust, which provides technology services and products to Cendant's real estate franchisees. This non-recurring income arose from the restructuring of certain commercial agreements with the Real Estate Technology Trust. This was offset by the loss on the sale of marketable securities and other assets of $4.1 million also included in other income. The company also recorded one-time restructuring charges of $1.8 million in the first quarter primarily related to employee termination benefits, facility closure charges and contract cancellation fees.

At March 31, Homestore had cash and cash equivalents available to fund operations of $34.2 million, in addition to restricted cash of approximately $90.3 million. As of April 2, after taking into account the proceeds from the ConsumerInfo sale, Homestore had cash and cash equivalents of approximately $91 million and approximately $158 million in restricted cash.

"The first quarter was challenging for Homestore as management resources were diverted by the internal inquiry into our past accounting practices and our thorough review of our business units. Thanks to the dedicated effort of our employees, we have made progress in these first 120 days in realigning our resources and focusing on our customers and core products and services," said Homestore CEO Mike Long. "We began our second quarter as a more streamlined entity that is keenly focused on the success of our customers."

"While the results of the quarter partially reflect our restructuring efforts, they also include both non-recurring and one-time items," said Homestore CFO Lew Belote. "Consequently, these reported results are not necessarily indicative of current or future trends, so we are not yet in a position to give forward guidance to the financial community."

Homestore is a supplier of online media and technology to the real estate industry. The company operates the flagship site Realtor.com, the official Web site of the National Association of Realtors.

Homestore to unbundle iLead

CEO Long recaps company’s progress at annual shareholders meeting

Agoura Hills, Calif.—Shareholders had an opportunity to question Homestore’s new management about the company’s operations and outlook during the annual meeting of shareholders held this morning at a hotel near the company’s Westlake Village, Calif., headquarters, but only one shareholder raised a hand during the open question-and-answer session.

The question concerned Homestore’s plans, if any, to introduce new products and services, and the answer from CEO Mike Long focused on the company’s decision to unbundle the components of its iLead product line of Web packages for real estate agents.

Long said layering multiple technology and media features onto the basic iLead Web page created "one unwieldy product" and that customers told the company they wanted to purchase parts of the package separately.

"We are unbundling it to give customers more choice. The objective is to give them more choice, and the self interest from our perspective is the hope that they will buy more," Long said.

Shareholders approved resolutions to elect Chairman Joe Hanauer, venture capitalist John Doerr and CEO Long to the company's board of directors and officially change the company's name from Homestore.com to Homestore sans dot-com.

Hanauer, 64, has been a Homestore director since 1996 and chairman since January. He was NAR's representative on Homestore's board through November 2000. He is former chairman of Grubb & Ellis Co. and former chairman of Coldwell Banker Residential Group.

Doerr, 50, has been a Homestore director since August 1998 and a general partner of Kleiner Perkins Caufield & Byers since September 1980. Prior to that, he was employed by Intel Corp. He also is a director of Amazon.com, Intuit, Drugstore.com, Omnimedia, Handspring, WebMD Corp. and Sun Microsystems.

Long, 49, has been a Homestore director and CEO of the company since January.

From July 1997 to April 2001, he was CEO of Healtheon Corp., then chairman of WebMD Corp., subsequent to Healtheon's merger with WebMD.

While the shareholders' votes were being tabulated, Long gave a presentation about the company's progress and status.

He said he decided to join Homestore five months ago because he was impressed with the quality of the company's executive management, its "remarkable" partnerships with the National Association of Realtors, National Association of Home Builders and other organizations and the quality of the company's customer base, among other reasons.

Long said the company's difficulties earlier this year included the discovery of accounting irregularities, a halt in trading in the company's shares, the departure of some senior executives, demoralized employees, confused customers and news stories that questioned the company's viability.

He said Homestore had been burning cash at an alarming pace and had over-diversified to the point at which the company was unmanageable, resulting in dissatisfied customers and poor customer service.

But, Long said, the problems were "self-inflicted" and thus presented an opportunity to correct the situation and strengthen the company's position. He said the company has restructured its management team, sold certain "non-strategic" assets for "real money" to strengthen the balance sheet, eliminated services "not crucial to the company's success," implemented cost-cutting measures, including a 1,000-plus person staff reduction, refocused the company on its "core" real estate products and services, and recalculated two years of financial statements in just 90 days.

"I'm quite impressed with the management team, and we are starting to operate as a team," Long said. "The team is deep and talented, and they are here because they perceive the opportunity."

Long indicated that the company's new focus is on its real estate customers. He and other executives took to the road earlier this year to meet face-to-face with Realtors across the country, and the company recently announced a voluntary program in which employees throughout the company will be trained to initiate calls to customers and ask about their needs.

"We've gotten a lot done in the first 120 days, but we have much much more to do," Long said in conclusion. "We are optimistic that we have the potential to develop the company into a valuable franchise for our employees, customers and shareholders."

NAR EVP Terrence McDermott and Alan Yassky, a Spring Valley, N.Y., Realtor and director of the Homestore's subsidary that operates Realtor.com, were on hand to represent NAR at the shareholders' meeting.

Is Homestore irrelevant?

Fairy tales don't always have happy endings.

Once upon a time, Homestore was touted as the king--no, make that the emperor--of the real estate technology realm. The company beat its own chest far and wide, hailing itself as having the most for-sale homes listings online, the most traffic on its Web sites, the most leads routed to Realtors and even the CEO whose picture was on the cover of the most magazines.

For years we heard: "Realtor.com this" and "Stuart Wolff that."

But now we are in a new age. Accounting trickery leads to Congressional investigations, Web traffic is no longer nirvana, corporate profits are slipping and solid business models are both rare and envied. In this environment, Homestore is rightfully a humbler and a less significant company on the real estate scene.

We admire new CEO Mike Long's efforts to pull Homestore off the edge of disaster. We know he's talked to Homestore's customers, answered some tough questions pitched to him by former NAR President Richard Mendenhall before an audience of Realtor association executives, divested the company of the remnants of its voracious acquisition binge, restated its outrageously fictitious financial statements, expressed a willingness to settle the shareholder lawsuits hanging over the company's head, drastically reduced the bloated payroll and tried to refocus the surviving employees on the company's core businesses.

But no matter how one reads, interprets or spins Homestore's new financial statements, one irrefutable fact remains: The company has never turned a profit of any kind--no operating profit, no net profit, no profit period.

And no unprofitable business can survive indefinitely without a compelling turnaround strategy-and at the least an infusion of more capital. Homestore's chances of raising money appear bleak indeed, especially with the company's shares again trading in penny stock territory--this morning at 81 cents.

Underneath this bleak financial picture is a company without a clear business model. Is Homestore an advertising-driven Web site? A real estate agent software company? A provider of brokerage technology systems? A real estate transaction management service?

Sure, Realtor.com has oodles of eyeballs, but how can those views be monetized to create a profitable concern?

While the struggling Southern California company is sorting out its choices, one of the biggest on-the-Web sources of homes for-sale information is hanging in the balance. An array of other companies is catching up with Homestore, filling in the pieces of the online listings scene and taking advantage of the advent of IDX. But for now Realtor.com is the best national source.

Homestore isn't as evil as some detractors would have us believe, but until the company figures out a viable business model that still fits within the National Association of Realtors' constraints, this once great promise will become just another memory in the storied dot-com history book. Unless change comes quickly, Homestore will become irrelevant.

Homestore shoots and scores

Settlement agreement bars Bargain Network from scrapping Realtor.com listings

Homestore today announced it reached a settlement agreement in the misuse of data lawsuit it commenced three months ago against Bargain Network.

The settlement agreement entered into by Homestore, Homestore subsidiary RealSelect and Bargain Network permanently bars Bargain Network from collecting and displaying real estate listing information from the Realtor.com Web site. The lawsuit will be dismissed pursuant to the settlement agreement.

"We view the protection of our partners' electronic data as fundamental to our relationship with real estate professionals, and we will vigorously challenge any unauthorized use of their data," said Homestore CEO Mike Long in a statement.

Homestore was seeking monetary damages in addition to injunctive relief, according to the complaint. The company's statement today did not mention whether any monetary damages or reimbursement of legal costs were awarded to the company under the settlement agreement.

The Westlake Village, Calif.-based company filed the 35-page complaint in April to block Bargain Network's unauthorized use of MLS data. The lawsuit sought injunctions against Bargain Network's alleged collection and display of Realtor.com real estate listing information on Bargain.com and practice of deep linking from Bargain.com to detailed real estate listings contained within Realtor.com. The complaint alleged multiple causes of action, including trespass, false advertising, breach of contract and unfair competition.

The law firm of Brown Raysman Millstein Felder & Steiner represented Homestore and RealSelect in the lawsuit.

Homestore through RealSelect obtains and aggregates North American real estate listings under license from multiple listing services for display on Realtor.com, an official Web site of and operated on behalf of the National Association of Realtors. More than 1.7 million homes are listed for sale on Realtor.com, according to Homestore.

The complaint alleged that Bargain Network had been employing robots, spiders, intelligent agents and the like to access and repackage listing information copied, or "scraped," from Realtor.com and using deep linking technologies to bypass Realtor.com while selling access to Realtor.com's content through Bargain.com.

The complaint charged that Bargain Network's querying programs were accessing Realtor.com "thousands of times a day" and that Bargain Networks methods of displaying scraped data interfered with Homestore's ability to control the presentation of that data and display sponsors' links, advertisements, gift, coupon and promotional offerings and opportunities to request assistance from local real estate brokers.

The complaint also alleged that Bargain.com's bypassing Realtor.com deprived Homestore of opportunities to collect demographic information from Internet users and potentially jeopardized Homestore's contractual relationships with its content providers, business allies, sponsors, advertisers and customers.

Realtor.com pays substantial sums of money to obtain its listings data and pays royalty fees to a National Association of Realtors subsidiary for use of the Realtor.com domain name, but does not charge Internet users for access to Realtor.com.

Homes for-sale listings still were displayed on the Bargain.com Web site this morning, but the source of the information couldn't be determined without entering a credit-card number into the Bargain.com service.

Realtor.com to get new look

Long, Ozonian hint at brand-new lineup of products and services

San Francisco—Homestore CEO Mike Long and Realtor.com President Steve Ozonian stepped up to the microphones today at Inman News Features' Real Estate Connect conference being held here through tomorrow and dropped several broad hints that a brand-new Realtor.com is in the works behind the scenes at Homestore.

Long said the new Web site and package of Realtor products and services would be announced later this year, but he wasn't ready to provide specifics about it at this time. He said the company did not want to make the age-old technology provider mistake of announcing a new product prematurely.

"This fall, we'll announce a new Realtor.com that we are very excited about," Long said.

Ozonian said the new Realtor.com will incorporate lessons Homestore has learned about the business in the last couple of years.

"We now understand that the Internet is a great utility and that what gets created (by that) is great reach and exposure. We have looked at what we have learned, and we will expand our products and services to take advantage of that reach and exposure," he said.

Long hinted that the new Realtor.com product structure will address the "overbundling" of some of the company's Realtor products and services, permit real-time updates of MLS data to address data accuracy problems and incorporate new services for handheld personal digital assistant devices within the Realtor.com product lineup.

Long also reiterated his optimism about Homestore's efforts to reach a settlement in the company's shareholder lawsuits. He said the 30 or so legal actions have been consolidated with a "sophisticated investor," the California state teachers' retirement system, as the lead plaintiff, and he said he is "optimistic" that the company will "reach an affordable negotiated settlement."

He also reiterated that the company is "on track for cash flow breakeven by December," but said he has not given Wall Street any other financial projections.

AOL caught in HOMS lawsuit

CalSTRS amends class-action shareholder complaint

The California State Teachers' Retirement System has refiled the pending shareholder lawsuit over Homestore's alleged accounting irregularities. The new filing by CalSTRS was a consolidated and amended version of the previous class-action lawsuit, not a new legal action, according to a Homestore spokesperson.

CalSTRS is the lead plaintiff in the consolidated lawsuits against the Westlake Village, Calif.-based technology company that operates Realtor.com and other homes-related Web sites.

CalSTRS is being represented in the lawsuit by the law firm of Cotchett, Pitre, Simon & McCarthy in Burlingame, Calif. Attorney Joe Cotchett is a well-known litigator who 10 years ago successfully prosecuted Charles Keatings' Lincoln Savings & Loan on behalf of its shareholders. That case resulted in $3.3 billion jury verdict that later was reduced to $1.75 billion.

The lawsuit alleges that Homestore illegally increased its revenues through round trip transactions that involved AOL, an Internet business unit of Time Warner. AOL has been caught up in the lawsuit, but is not named as a plaintiff, according to news reports.

The other defendants in the lawsuit are Homestore's former Chairman and CEO Stuart Wolff, former COO Peter B. Tafeen and former CFO Joseph J. Shew.

The relationship between Homestore and AOL dates to April 2000, when the two companies signed a five-year marketing and distribution agreement. Homestore at that time paid AOL $20 million in cash and issued AOL about 3.9 million shares of Homestore common stock. Homestore guaranteed that set percentages of AOL's stock would achieve 30-day average closing prices in the $60-plus range on July 31 in 2003, 2004 and 2005, and Homestore agreed to cover any shortfall in cash payments to AOL. The aggregate amount was limited to $90 million, an amount reported as restricted cash on Homestore's balance sheet.

Homestore disclosed late last year that it had filed an arbitration action against AOL. The notice of arbitration alleged that AOL breached the agreement and sought a variety of remedies, including equitable relief and damages.

CEO Mike Long has said he expects the company to reach settlement agreements in both the AOL arbitration and the original shareholder lawsuits.

CalSTRS has a $100 billion investment portfolio and is the third-largest pension fund in the United States. The state-run teacher's pension program reportedly lost $9 million on its investment in Homestore.

The amended lawsuit was filed in U.S. District Court in Los Angeles.

Homestore stock closed today at 75 cents.

Top line down, bottom line up at HOMS

Homestore shrinks burn rate to $10 million in second quarter

The financial results Homestore announced today for the second quarter ended June 30, 2002, aren't letter-perfect, but the company certainly appears to be making good progress in the right direction. Revenues declined 15 percent in the second quarter compared with the prior-year second quarter, but operating expenses and net losses declined substantially for the same quarter-over-quarter period, putting the company in a stronger position overall.

Revenue was $65.9 million in the recent quarter compared with $77.7 million for the second quarter of last year. The company's loss from continuing operations was $62.4 million, or $0.53 per share, compared with a loss of $120.9 million, or $1.12 per share, for the second quarter of last year. The net loss for the recent second quarter was $52.3 million, or $0.44 per share, compared with a net loss of $120.9 million, or $1.12 per share, for the second quarter of last year.

This year's second quarter results reflect a $23 million charge to operating results announced earlier today in connection with a settlement of MemberWorks' lawsuit against Homestore and a gain from discontinued operations of $10.2 million from the sale of the company's ConsumerInfo division in April.

The company attributed an $8.2 million decline in revenue from the first quarter to the second quarter to non-recurring revenue items and a restructuring of the company's advertising sales group completed in May.

Homestore CEO Mike Long said management continues to believe the company's results from operations, excluding non-cash stock-based charges, depreciation and amortization will be positive for December.

"We continue to believe the company will exit 2002 with operating income, plus non-cash charges being positive, that is before some capital expenditures" that the company "is considering," he said.

Long said during a conference call with investors that the company reduced its "true operating burn rate" to less than $10 million in the second quarter ended June 30, 2002. That's a substantial reduction from the burn rate of approximately $50 million in the fourth quarter of 2001 and even the "high-teens" burn rate in the first quarter of this year.

The company incurred extraordinary one-time cash expenses of $52 million for accounting inquiries and restructuring charges in the first half of this year, Long said, and cash flow from operations is improving, but the company still has one-time and operating costs that need to be reduced.

Homestore had $65 million in cash available to operate its businesses at June 30. But giving effect to the MemberWorks' litigation settlement announced this morning, the company would have had approximately $100 million in unrestricted cash at that date. Long said that is a "significant improvement" in the company's cash position compared with the beginning of the year.

Lawsuit costs Homestore $23 million

But settlement puts $35 million in unrestricted cash coffers

Homestore (NASDAQ: HOMS) and MemberWorks (NASDAQ:MBRS) have reached a settlement in the lawsuit that MemberWorks brought over Homestore's purchase of former ConsumerInfo.com parent company iPlace. The lawsuit alleged securities fraud and other causes of action.

The settlement calls for Homestore to pay $23 million to the plaintiffs. MemberWorks said it will receive approximately $19.2 million of that total, leaving approximately $3.8 million to be paid to certain other former iPlace shareholders. The settlement is subject to court approval, according to MemberWorks.

Homestore said it recorded a $23 million liability and a charge to its second quarter operating results, which will be released today.

The company in the third quarter will record a $58 million reduction in restricted cash and a $35 million increase in cash and cash equivalents. Homestore at the close of the second quarter had nearly $65 million in cash and cash equivalents available to fund operations, plus $151 million in restricted cash, according to a company statement.

Homestore CEO Mike Long said the settlement was in the interest of the company's customers, employees and shareholders and that it would increase liquidity and resolve disputes unrelated to the company's ongoing operations.

Westlake Village, Calif.-based Homestore operates the National Association of Realtors' official Realtor.com homes for sale Web site and other real estate Web sites.

The lawsuit arose when Homestore sold ConsumerInfo.com to Experian for $130 million in cash. Homestore had purchased ConsumerInfo.com as part of its acquisition of iPlace. MemberWorks was the former majority stakeholder of iPlace.

MemberWorks requested an injunction to halt Homestore's sale of ConsumerInfo.com. The injunction was denied. But the judge forced Homestore to set aside $58 million of the $130 million in a constructive trust pending the outcome of the litigation. The settlement will enable Homestore to recapture $35 million of unrestricted cash from the trust.

Stamford, Conn.-based MemberWorks provides consumer and membership services through affinity marketing and online channels.

MemberWorks said it will record the settlement as a one-time gain in the third quarter and use the money to buy back its own stock.

MemberWorks CEO Gary Johnson said the company recovered much of the value lost due to the decline in Homestore's stock.

"As a result of this settlement, our net gain from the sale of iPlace is now approximately $51 million," Johnson said.

The arbitrators are out

Homestore, AOL await decision in binding arbitration proceeding

Homestore is a giant step closer to resolving its dispute with AOL, now that the arbitrators on the case have heard both sides' arguments and adjourned to make their decision.

Homestore CEO Mike Long told investors yesterday that the arbitration hearing was held in mid-July and a decision is expected before the end of the year.

"It's now up to the arbitrators to decide. We expect a resolution on or before the fourth quarter," he said.

The arbitration is a binding, which means it's unlikely that either side will be able to appeal the decision or litigate the matter.

Allan Merrill, EVP of Homestore's corporate development group, said the original agreement between Homestore and AOL provided for an arbitration process in the event of a dispute over the contract terms.

"The agreement provided that in the event of dispute rather than getting tied up in long-term and expensive litigation, there was an arbitration process to resolve that. We availed ourselves of those provisions, and we and AOL will live with the consequences," he said.

Homestore disclosed the existence of the arbitration in a Securities and Exchange Commission filing in November. Homestore contended that AOL had breached certain obligations relating primarily to Internet traffic commitments under an April 2000 five-year marketing and distribution agreement between the two companies.

The notice of arbitration sought various remedies, including damages and equitable relief.

Long said the relationship between the two companies wasn't discontinued as a result of the arbitration.

"We continue to power AOL's real estate channel, and they provide us with approximately 15 percent of our traffic," he said.

Cendant squabbles with Homestore

Renegotiating 18-month-old stock ownership agreement

Cendant Corp. may be looking to turn Homestore's past accounting irregularities into an opportunity to renegotiate the terms of a prior agreement between the two companies.

Homestore CEO Mike Long told investors this week that the real estate franchisor has accused Homestore of breaching certain representations made in connection with Homestore's acquisition of Cendant's Move.com Web site and Welcome Wagon International operations and has asked Homestore to consider amending the acquisition agreement signed 18 months ago.

"(Cendant) let us know they felt we hadn't honored all of the reps and warranties that we made (in the Move.com acquisition agreement), particularly tied back to (Homestore's) financial restatements that occurred for 2000 and 2001....They've asked if we would in fairness consider amending that agreement," Long said.

The Homestore CEO declined to discuss the specifics of the discussion, but said he believed it was "prudent to disclose" that renegotiation talks were under way.

"We've disclosed that there is a discussion going on. Some of the terms of the original agreement may or may not change, but we wanted to put everyone on notice," he said.

The disclosure is included in Homestore's Form 10-Q filing with the Securities and Exchange Commission for the second quarter ended June 30. The report states:

"Cendant has proposed amendments to certain of the related agreements in consideration of settling any potential claims related to the company's acquisition of the Move.com Group. The company has been engaged with Cendant in discussions relating to Cendant's allegations, and the company and Cendant have considered certain amendments to the agreements that would materially alter the company's rights and Cendant's obligations and restrictions in order to settle these potential claims. There is no assurance that these discussions will yield a satisfactory resolution."

Long told Inman News on Monday that the discussion was "less a financial negotiation than it is (about the) terms and restrictions on the operating behavior of the two companies." He characterized the conversations as "friendly and nonthreatening."

Homestore acquired Move.com and Welcome Wagon from Cendant Corp. in February 2001 in a stock deal worth $745.7 million. Homestore issued 21.4 million shares of its common stock in exchange for all the outstanding shares of capital stock of Move.com Group, and assumed Move.com Group's approximately 3.2 million outstanding stock options at that time.

The agreement placed restrictions on Cendant's rights to sell the Homestore shares and required Cendant to vote the shares on all corporate matters in proportion to the voting decisions of all other stockholders. Cendant also agreed to a 10-year standstill agreement that under most conditions prohibits Cendant from acquiring additional Homestore shares, according to Homestore's SEC filing.

Does Cendant want to sell the Homestore shares it wrote off its books last year? Or does Cendant want to accumulate an even larger stake in Homestore while its shares are trading in penny-stock territory? Or maybe Cendant wants to rewrite the rules that require it to vote proportionally to other stockholders on Homestore corporate matters? Or what?

Whatever the dispute is, Cendant isn't saying. A corporate-level spokesperson declined to provide any information about the matter and said the company is referring all inquires about it to Homestore.

This dispute isn't the first time Cendant and Homestore have tangled their fishing lines. Cendant sued Homestore in 1999 just prior to Homestore's initial public offering. That lawsuit alleged that Homestore failed to honor a promised IPO equity participation for Cendant.

Richard Smith, head of Cendant's real estate division, said at that time that Cendant was "extremely disappointed and frustrated with Homestore.com's conduct."

That matter was quickly settled out of court and the lawsuit was dropped.

And Cendant's Move.com, prior to being acquired by Homestore, was a formidable challenger to Realtor.com, the National Association of Realtors' official Web site that Homestore operates.

But all that was in the Stuart Wolff era, and a new man is now in charge at Homestore.

NAR acts on Service Magic

Pushes Realtor.com to remove referral service ads

The National Association of Realtors is being vigilant in policing its agreement with Homestore, requiring the online service to remove banner ads for Service Magic, an online lead service that was advertising on Realtor.com.

"We discovered these ads on the site yesterday and notified Homestore that they needed to be removed immediately," wrote Ken Burlington, COO of the Realtor Information Network, in an online message board. RIN manages NAR's relationship with Homestore.

"Homestore promptly removed the ads from the site. We are now in the process of putting additional procedures in place to ensure that ads of this nature do not appear on Realtor.com in the future," Burlington wrote.

Burlington explained the decision: "You are 100 percent correct that banner ads from ServiceMagic, or any other company that is in the business of charging NAR members for leads, does not belong on Realtor.com."

He also spelled out key features of the operating agreement:

1. Realtor.com will never contain for-sale-by-owner ads.

2. Display of Real Property Ads (listings) including a property photograph will be displayed at no cost to members.

3. RIN (NAR) maintains strict control over what advertising may be placed on Realtor.com.

4. There are very strict limits on use of data from Realtor.com.

5. Specific performance standards are outlined relating to system performance, hardware and communications equipment.

Homestore promises no 'white elephants'

Customers to get fair deal on new Realtor.com products

Homestore is promising its existing customers "the benefit of their bargain or better" when the company's anticipated "new" Realtor.com makes its debut later this year.

That promise comes from Allan Merrill, EVP of Homestore's corporate development group, who is reassuring real estate pros they don't need to be concerned about missing out if they purchase existing products now rather than waiting for the new product line.

"Customers who buy (our existing) products will have all of their contract terms absolutely honored. To the extent that new products result in enhancements, they will have the benefit of all the enhancements. There is no prisoner's dilemma where customers have to bet on whether they should (buy now) or wait," he said.

Merrill declined to provide specific examples of how enhancements would be incorporated into existing products. But he said the company is committed to ensuring all its customers get a fair deal.

"No one is buying white elephants. No one is going to end up with a service that gets shut off. No one is going to have a product or service that they paid for denied to them, nor are they going to be precluded from being able to improve or enhance the way they do business with us," he said.

Homestore is keeping the new Realtor.com tightly under wraps, but CEO Mike Long has doled out a few tantalizing hints about the Web site and product line in development at the Westlake Village, Calif.-based company that operates Realtor.com as an official Web site of the National Association of Realtors.

Long said some undisclosed "key customers" around the country are beta testing the new offerings, but the new Realtor.com won't be announced until the details are finalized.

The unwrapping may come in November around the time of NAR's next governance meetings and annual convention slated to be held in New Orleans.

The new Realtor.com is a core element of Homestore's strategy to capture more of the billions that brokers and agents spend on advertising.

"The real estate industry spends approximately $9 billion a year on advertising, most of it offline in print classifieds. Yet consumers increasingly prefer to shop for homes and apartments online. This creates a huge market opportunity to move more of the industry's ad spending online and capture our share of that spending," Long said during a recent meeting with investors.

The new Realtor.com will be far less bundled than Homestore's older product packages. Long said combining media and technology products "made sense" four years ago because customers then didn't have their own Web sites. But he coupled that kind nod to the prior administration with a pointed criticism of product bundling. He said tight combinations of products resulted in confusing pricing schemes, limited choices for customers and obscured product benefits.

The new product line is designed to be more "self-service," more easily understandable for novice real estate salespeople, and more focused on giving customers choice and flexibility in designing online marketing programs.

Homestore has hired an inside sales team to target smaller brokerages, snag repeat business and cut the company's unacceptably high sales cost per order.

"We have done a pretty good job of selling an annual listing product to the largest national and regional companies. We have not been nearly as effective in reaching the smaller customers or accessing the weekly and monthly discretionary spending of the larger firms. With a simplified product set and a cost-effective inside sales effort, we believe we can accelerate the shift of marketing dollars from traditional media to the Internet and to our Web sites in particular," Long said.

Whether individual agents will open their own wallets for Realtor.com products remains to be seen. But one thing is certain: Long and co. know how to keep a secret.

Ozonian leaves Realtor.com to join RE/MAX

Real estate veteran on track to aid 30-year-old franchise in long-term strategy

Steve O. is leaving Realtor.com. And Homestore's loss of a key executive looks to be RE/MAX International's gain.

The man, whose full name, of course, is Steve Ozonian, is one of the most widely known personalities among both real estate brokerage and dot-com companies and has been a pioneer in bringing the two often-at-odds realms together.

"We are very excited that Steve has elected to join the RE/MAX family," said Dave Liniger, RE/MAX co-founder and chairman of the board. "We hold Steve in such high regard that he is the first person to join our senior management group without first rising through the RE/MAX ranks."

Ozonian joined Realtor.com in May 2000 and led the company through both its early glory days and its later infamy. The Realtor.com company and the Web site of the same name are owned by Westlake Village, Calif.-based Homestore.com, which operates the homes-for-sale Web site under an agreement with the National Association of Realtors.

Ozonian was already a high-profile figure in real estate due to his prior position as chairman and CEO of Prudential Real Estate and Relocation Services, where among his accomplishments was the launch of the eCertification program. Before his nine-year stint with Prudential, he was a SVP at Coldwell Banker, where he built that company's residential real estate and relocation business.

Ozonian spent the earlier part of this year touring the country at the side of Homestore's new CEO Mike Long. The Homestore duo's talking-to-customers pilgrimage aimed to find out what brokers really wanted from company.

Ozonian's departure comes just two months prior to the anticipated debut of a brand-new Realtor.com Web site and product line. The company has been close-mouthed about the details of the revamping, but the executives have hinted that an unbundled Realtor.com product line for real estate brokers and agents is in the works and slated to be introduced at NAR's convention and governance meetings to be held in November in New Orleans.

"We are saddened to see Steve leave Homestore but we thank him for two and a half years of dedication and industry leadership." Homestore CEO Mike Long.

Ozonian will be joining the executive management team of Denver-based RE/MAX International and will help the 30-year old franchise map out its long-term strategy.

"I have had the luxury of observing the entire industry from a unique position over the past two years," said Ozonian. "It is clear to me that the RE/MAX vision and business model is the best in the business."

"Steve Ozonian is an honorable man who truly cares about the real estate industry. He has considerable experience in multiple aspects of our industry that will prove extremely valuable and very positive as RE/MAX continues to move forward as the market leader," said RE/MAX Broker/Owner Richard Mendenhall, also the 2001 president of the NAR.

Homestore has commenced a search for a new president of its Realtor.com unit and anticipates appointing a seasoned, real estate professional as successor in the near future. Ozonian will remain available for a short transition period before assuming his new role with RE/MAX.

HOMS heavies take a fall

Former execs. expected to plead guilty

Three of Homestore's former top executives have agreed to plead guilty to criminal misdeeds stemming from their jobs with the Westlake Village, Calif.-based company, according to news reports late yesterday.

The company operates a number of real estate-related Web sites, including the National Association of Realtors' Realtor.com official homes-for-sale Web site, and sells various technology marketing products to Realtors.

The U.S. Justice Department is expected to announce the plea agreements, according to news sources. Reports stated that former CFO Joseph Shew is expected to plead guilty to one count of conspiracy to inflate Homestore revenue while former COO John Giesecke is expected to plead guilty to conspiracy and wire fraud and former VP of finance John DeSimone is expected to plead guilty to insider trading.

The alleged misdeeds occurred in connection with previously disclosed accounting irregularities that occurred at the company in prior years, so-called "round-trip" deals Homestore made with AOL and various other companies and the effect of resulting inflated revenues on the company's once sky-high stock price.

News sources also said the executives also agreed to cooperate with an existing Federal investigation into some of Homestore's prior business practices.

'A good day for Homestore'

CEO says former execs' guilty pleas won't hurt company

One of several dark clouds floated away from the airspace over Homestore today, in the view of CEO Mike Long, when the Securities Exchange Commission and U.S. Department of Justice stated they won't bring any action against the company in connection with a complex accounting scheme allegedly used last year to fraudulently inflate the company's online advertising revenues.

Three of Homestore's former senior executives today agreed to settle a lawsuit filed by the SEC and plead guilty to criminal charges brought by the DOJ over their involvement in the “round-trip” transactions that essentially recycled the company's own cash as revenue in 2000 and 2000 and in touting the inflated revenue figures in public statements.

“This is a good day for Homestore and its customers and employees,” Long told Inman News this afternoon. “This cloud has been hanging over our company around the SEC and the Department of Justice's investigation around these historical issues--our customers and employees have been aware of it and we haven't ignored that it was there—and this is one important cloud that has gone away.”

Long characterized the SEC's statement as “an endorsement” of Homestore's current standard of the corporate governance and said that should reassure the company's customers that “they are doing business with a company that is committed to the highest standards of business conduct.”

Long said the executives' guilty pleas wouldn't hurt the company's position with respect to the still-active class-action shareholder lawsuit because the government has in a sense “ratified the results” of Homestore's own thorough investigation into the whole matter.

“If anything, we think it's helpful,” he said. “(The SEC's statement) provided tremendous credibility for the company so that we can sit down and negotiate a settlement with the plaintiffs in the shareholder lawsuit.”

Long also said the executives' admissions wouldn't change the dynamics of the company's discussions with Cendant Corp. over whether the terms and restrictions of the prior agreement under which Homestore acquired Cendant's Move.com Web site and Welcome Wagon International operation should be amended.

“The company had already restated its financials and public said the numbers were inaccurate. The fact that these individuals are now being held accountable for that (does not add) new information as far as (the discussions) with Cendant. Our discussions with Cendant have been constructive and they've been reasonable. There's no guarantee, but I continue to remain optimistic that there will be a satisfactory outcome for Cendant and Homestore,” Long said.

Investors may not be overly heartened by today’s news given the several other ominous clouds that still hover over Homestore.

“It’s good to have this one in the rearview mirror; however, we still have the pending class-action lawsuit that has not been resolved, a dispute with AOL that has not been resolved and a discussion with Cendant that has not been resolved. Investors are focused on those external issues and will continue to be until we get them resolved,” he said.

Long believes a day will come—maybe as soon as early next year--when only sunshine will be in Homestore’s sky.

“Time has to passed. The good news is that (all these issues) are maturing at about the same time. Today is one important milestone, and I’m confident that as we look over the next quarter many if not all of these other issues will be resolved,” he concluded.

Punishment in store for former HOMS execs

Giesecke, Shew, DeSimone to repay millions to shareholders, face prison sentences

Repayment to shareholders of nearly $4.6 million from exercised stock options and possible incarceration are in store for the three former Homestore executives who today settled a lawsuit filed by the Securities Exchange Commission and plead guilty to criminal charges brought by the U.S. Department of Justice in connection with an extensive scheme allegedly used last year to fraudulently inflate Homestore's online advertising revenues.

The three were charged with illegal activities that included conspiracy to commit securities fraud, insider stock trading, lying to corporate auditors and falsifying corporate books and records.

Homestore's former COO John Giesecke Jr., 42, of Malibu, Calif., former CFO Joseph J. Shew, 37, of West Chester, Pa., and former VP John DeSimone, 33, of Hermosa Beach, Calif., settled the SEC action without admitting or denying the allegations in the complaint.

As part of the settlement agreements, Giesecke agreed to repay more than $3.4 million from the exercise of Homestore stock options and to pay a $360,000 civil penalty. Shew agreed to repay more than $1 million from the exercise of Homestore stock options, and DeSimone agreed to return approximately $177,800 from the exercise of Homestore stock options.

Giesecke and Shew, who both are certified public accountants in their respective home states, will be permanently barred from serving as an officer or director of a public company and suspended from appearing or practicing before the SEC as an accountant. DeSimone will be barred from serving as an officer or director of a public company for 10 years.

A statement from the SEC said the $4.6 million to be returned by the three former executives will be paid to the benefit of Homestore shareholders. The SEC also is seeking court permission to have Giesecke's civil monetary penalty added to that kitty under a provision of the Sarbanes-Oxley Act of 2002.

The three also plead guilty today to criminal charges filed by the U.S. Justice Department. Giesecke, who plead guilty to one count of conspiracy and one count of wire fraud, and DeSimone, who plead guilty to one count of securities fraud, each face a maximum possible penalty of 10 years in prison. Shew, who plead guilty to one count of conspiracy, faces up to five years in prison.

The defendants will be summoned to appear in Federal court in Los Angeles for an arraignment next month.

Homestore commended for cooperation

SEC won't bring charges against the company

Today's actions by the U.S. Department of Justice and the Securities and Exchange Commission against three former Homestore executives involve allegations and charges against the individuals not the company, Homestore Chairman Joe Hanauer said in a statement today that underscored the distinction between the company and its former employees.

Hanauer quoted U.S. Attorney General John Ashcroft who earlier today said Homestore's board of directors and new management are “to be commended for fully cooperating with government investigators in their efforts to uncover and prosecute the illegal conduct of the defendants.”

Hanauer pointed out that the board along with independent counsel and outside accountants initiated an internal accounting inquiry late last year while providing preliminary and final reports to the SEC and since then has cooperated fully with the SEC in its investigation.

The SEC said in a statement today that it will not bring any enforcement action against Homestore because of its cooperation, which included reporting its discovery of possible misconduct to SEC upon immediate discovery, conducting an independent internal investigation and sharing the results with the government, terminating responsible wrongdoers and implementing remedial actions.

Homestore: Implications of wrong-doing

Take pity on Mike Long. No matter how much progress Homestore's new CEO makes in improving the company's financial and market positions, its sordid history of bogus revenues and stock-price manipulation hype keeps coming back to haunt him like a familiar ghost that refuses to go back to the graveyard.

The Securities Exchange Commission and U.S. Department of Justice today announced that three former Homestore executives agreed to settle an SEC lawsuit, plead guilty to criminal charges and cooperate with the government in its continuing investigation of an extensive scheme allegedly used last year to fraudulently inflate Homestore's online advertising revenues.

The news may seem remote from Homestore's day-to-day operations and its efforts to rebuild its relationships with its Realtor customers, given that the executives in question long since parted ways with the company. But the news casts a shadow—albeit one that may well be temporary--over the company by linking the Homestore name with such illegal activities as conspiracy to commit securities fraud, wire fraud, insider stock trading, securities fraud, lying to the auditors, falsifying corporate books and records, and aiding and abetting corporate reporting and record-keeping violations—all of which were part of today's guilty pleas and none of which are the sort of activites that bolster confidence among a company's investors, customers or employees.

The upside is that the SEC said it would not bring any enforcement action against Homestore because of its "swift, extensive and extraordinary cooperation" in the investigation. A statement from Attorney General John Ashcroft lauded the company for "reporting its discovery of possible misconduct to the SEC immediately upon the audit committee's learning of it, conducting a thorough and independent internal investigation, sharing the results of that investigation with the government (including not asserting any applicable privileges and protections with respect to written materials furnished to the Commission staff), terminating responsible wrongdoers and implementing remedial actions designed to prevent the recurrence of fraudulent conduct."

The admissions of wrongdoing by former Homestore executives nonetheless could have implications for the 30 or so shareholder lawsuits against the company that have been consolidated with California State Teachers Retirement System (CAL-STRS) as the lead plaintiff. Long has expressed optimism about reaching "an affordable negotiated settlement" in the matter. But the shareholders and their attorneys must be taking heart from the idea that today's guilty pleas could strengthen their case.

Another open question is whether the guilty pleas could carry some weight in Cendant Corp.'s effort to renegotiate terms and restrictions contained in the 2000 agreement that provided for Homestore's acquisition of Cendant's Move.com Web site and Welcome Wagon International operations. Cendant has accused Homestore of breaching certain representations in the agreement and Long has indicated that the situation is related to Homestore's restatements of its 2000 and 2001 financial results.

And what about Stuart Wolff and Peter Tafeen? The names of Homestore's former CEO and EVP of business development are conspicuous by their absence from today's news. Are the SEC and DOJ letting Wolff and Tafeen out of the trap? Or have the jaws of the investigation yet to snap completely shut? Is there a possibility that the investigation could ensnare any more higher-ups—maybe even some still on Homestore's board or its payroll?

The answers no doubt will emerge over the next few days and the chips will fall where they may, either on the side of more trouble for Homestore—or, indeed, perhaps not. The process may be painful, but each development in the investigation brings the whole situation closer to closure and the SEC's statement that it will not take action against the company is a very positive development. Indeed, today's reappearance of Homestore's ghost-of-misdeeds-past may auger the day when the whole sorry affair finally will be put to rest.

Homestore trims Realtor.com fat

Company will take million-dollar restructuring charge in third quarter

Homestore closed its third quarter yesterday by handing out final paychecks to an undisclosed number of employees in its Realtor.com outside sales force. The staff reduction, which will trigger a restructuring charge in the just-completed quarter, was part of the company's effort to revamp its sales and account management operations.

The Westlake Village, Calif.-based company that operates Realtor.com for the National Association of Realtors and sells Realtor.com Web sites and other technology products to real estate salespeople has been on a mission to reduce its per-sale selling costs by bringing sales functions from the field into the corporate offices.

Homestore spokesperson Delise Keim said the restructuring has involved some layoffs, some job reassignments and some hiring this year. She said the company cut back the ranks of outside salespeople, who were responsible for both on-site sales calls and account management functions, and switched to a new structure that retains a small outside sales force and adds in-house account managers to perform outbound telesales and account support functions.

"We've increased the 'touch points' to the customers by doing more inside calling, so there will be more frequent contact," Keim said.

A number of department managers were affected by the restructuring, but no changes have been implemented among the top executives other than the previously announced departure of Realtor.com President Steve Ozonian, who has accepted a position with RE/MAX International.

Keim said the net effect of the restructuring is a lower head count, but she would not disclose how many people have been laid off in total, how many were cut back from the outside sales force in particular or how many people now are employed in the sales and support departments.

"We had a goal to reduce the number of total employees across the company, and we have continued along the path of that goal. There are less people here than there were three months ago. It wasn't a sweep across the company. It was department by department and it was based on what (functions) we wanted to enhance," she said.

Other sources told Inman News a substantial proportion of the Realtor.com outside salespeople, who once numbered approximately 170 employees, received pink slips yesterday.

The restructuring is in line with CEO Mike Long's stated goal of bringing the company to positive cash flow by year-end. He said in August that cash flow from operations was improving, but the cost per dollar of revenue generated was still too high. Keim today said the company is on track to achieve that goal. But Long has not made any forward-looking comments about the company's financial results or outlook for turning a profit.

The restructuring will result in a significant charge against earnings in the third quarter that ended yesterday, according to Keim. She said the dollar amount "could very well be millions," taking into consideration the total number of people laid off during the quarter, employee contract termination fees and other related costs.

"I don't think it's tens of millions, but I think the word 'million' will be there," she said.

Allan D to replace Steve O

Homestore puts marketing maven in charge of Realtor.com

Homestore CEO Mike Long has named real estate marketing whiz Allan Dalton to step into Steve Ozonian's rather large shoes as the head of Realtor.com, the company that operates the National Association of Realtors' homes-for-sale Web site and sells a line of Realtor.com Web site and technology products to real estate brokers and agents.

Dalton is an industry veteran who for 12 years was president of Murphy Realty Better Homes and Gardens in New Jersey, which in its heyday had 32 offices. The company was bought by Cendant Corp.'s NRT venture in 1997, and Dalton then joined the corporation as SVP of consulting services. His primary mission accomplished in that position was the creation of a marketing system for agents in the Century 21 and ERA organizations. He then moved home to Boston as NRT's EVP of Coldwell Banker Hunneman, and NRT just weeks ago named him EVP of Coldwell Banker New England Metro, a new entity formed as a result of NRT's acquisition of The DeWolfe Cos. and the subsequent merger of DeWolfe and CB Hunneman.

Dalton's reputation in the industry has been built on his lauded marketing skills. He's been described as a mesmerizing speaker on the subject of marketing and as a creative genius in designing marketing programs for Realtors.

What's missing from Dalton's resume is any experience working for a technology company. That lack may prove a liability in his new position, but he seems undaunted by the great leap from brokerage to dot-com—a path already taken by his predecessor, who now is returning to the brokerage world.

"(Technology) isn't my forte, but the company has surrounded itself with technological leaders and other high-powered executives. It's a team approach and I feel significant comfort in that," Dalton said.

The toughest nut for Dalton to crack likely will be achieving any sort of convergence among the many disparate interests that all claim a stake in Realtor.com's future. The consumer-oriented Homestore vision and agent-oriented Realtor.com vision historically have presented inherent conflicts that have made designing a Realtor.com Web site and product line that meet the needs of NAR, brokers, agents, consumers, employees, shareholders and others no easy task.

But again, Dalton seems undaunted. In fact, he perceives Realtor.com as a "symbiotic relationship" that benefits consumers, small and large brokerage companies and NAR.

"If any of those constituencies weren't comfortably compatible, I would never have taken this position because it would just be a fool's errand. But it's the opposite. It's the most natural order of things," he said.

Realtor.com's constituencies may be curious about Dalton's views on the extent to which the Internet is altering the traditional relationship between real estate agents and home buyers and sellers and how Realtor.com fits into that shifting paradigm. At the crux of the issue is whether brokers and agents should cling to systems that give them control over listings data. Those who crave such control probably won't find much comfort in Dalton's comments about consumer access to information.

"Consumers are able to circumvent informational firewalls from every service sector. It's a fact of life that the consumer needs to and must have access to information," he said.

Dalton believes Realtor.com has aggregated listings data in a way that keeps the agent at the center of the real estate transaction and that no individual national or regional brokerage company could achieve alone.

"Realtor.com protects the viability of the largest national and regional companies because it preempts another informational-type predator from usurping that primary position. The fact that the brand name Realtor can be interchangeable with real estate will continue to create brand equity in such a fashion that the consumers will just be constantly predisposed to come to Realtor.com for real estate information," he said.

Dalton said the industry for years has had a "schism" between agent promotion and for-sale property information and that Realtor.com brings the two data sets together in a way that benefits real estate agents and consumers. He said real estate agents should see Realtor.com not "merely as a depository for their listings," but as "an opportunity to manifest their efforts to do personal promotion and personal marketing."

Dalton is likely to rely heavily on his knowledge of the brokerage business and his marketing acumen to bring the next-generation Realtor.com to maturity after its anticipated birthday next month at NAR's convention in New Orleans.

Realtor.com's new president will be relocating from the East Coast to the Los Angeles area and already has spoken with a few Realtors about making the move.

"California has always been on the cutting edge. When it comes to real estate ideas, the West Coast has always been about creating the future," he said.

NRT exec. to head Realtor.com

Homestore names industry veteran Allan Dalton to replace Ozonian as president

Homestore has chosen real estate industry veteran Allan Dalton to replace Steve Ozonian as president of its Realtor.com unit.

Dalton's move to Realtor.com will end a five-year stint with NRT, Inc., which he joined in 1997 when the independent real estate brokerage company he owed was acquired by Cendant's brokerage-ownership venture. He had been president of that company for 12 years. He was a SVP president of NRT, then EVP of Coldwell Banker Hunneman and just weeks ago was named EVP of Coldwell Banker New England Metro, a real estate services organization formed last month when NRT acquired The DeWolfe Cos. and merged it with Coldwell Banker Hunneman.

Dalton is recognized as a pioneer in creating innovative and effective marketing systems for real estate brokers and agents, according to a statement from Homestore. He helped create Century 21's Customized Marketing System and Career Development System, ERA's Value Added Marketing System and Value Added Career Development Book, and he developed NRT's Full Service Marketing System and three major marketing systems for the Better Homes and Gardens chain that's now GMAC Real Estate.

"Realtor.com represents one of the best marketing and brand building tools available to real estate professionals. I am excited to join the new management team at Homestore to help deliver these tools and services to all Realtors," Dalton said in a statement.

Homestore CEO Mike Long said Dalton's "passion and commitment to making Realtors successful is unparalleled" in the real estate industry.

National Association of Realtors CEO Terry McDermott praised Homestore's selection of Dalton for the Realtor.com presidency.

"Homestore continues to show their commitment to the real estate industry through their recruitment of the industry's best and brightest. We are thrilled that Allan is joining the new management team at Homestore to lead the efforts to promote our official Internet site, Realtor.com, to real estate professionals and consumers," he said in a Homestore statement.

Dalton and his family will be relocating from the East Coast to Westlake Village, Calif., where Homestore is based.

HOMS loses board member

Barbara T. Alexander resigns, co. continues search for new directors

Homestore today announced that Barbara T. Alexander has tendered her resignation from the company's board of directors.

Alexander served as a member of the audit committee from the time of her election to the board on April 6, 2001, and was elected to the executive committee when it was formed on Nov. 15, 2001.

During her time with Homestore, Alexander assisted with the implementation of rigorous internal audit controls, the adoption of a company-wide code of conduct and the introduction of an anonymous "whistle-blower" program.

Upon the board's discovery of accounting irregularities late last year, Alexander represented the board in supervising the finance department after the departure of the former CFO and was a member of the executive committee that recruited a new senior management team. She served as a member of the audit committee that retained and managed outside counsel and forensic accountants in connection with the company's accounting inquiry, which resulted in the restatement of certain prior period financial statements.

"Barbara's efforts were major contributors to the U.S. Attorney General and SEC commending the board and new management for the way in which the internal investigation was conducted," said Homestore Chairman Joe Hanauer.

Homestore has had a search underway with Spencer Stuart to add additional directors to the company's board.

Ex-Homestore execs. plead guilty

Giesecke, Shew appear in Los Angeles courtroom; sentencing expected in April

Homestore's former COO John Giesecke yesterday pleaded guilty to securities fraud in a Los Angeles courtroom, according to news reports, and Homestore's former CFO Joseph Shew pleaded guilty to securities fraud and wire fraud charges. Former Homestore VP John DeSimone is expected to plead guilty to insider trading in Los Angeles on Oct. 28.

The three executives were involved in an illegal scheme to inflate the company's revenues by $46.4 million in 2001 through so-called "round-trip transactions" that enabled the company to fraudulently recognize it's own cash as revenue. All three have agreed to repay specific sums of ill-gotten stock option trading gains to the company's shareholders.

Sentencing will be held on April 21, 2003. Shew and Desimone each face up to 10 years in prison. Giesecke faces up to five years in prison.

Terms of Giesecke's, Shew's and DeSimone's settlement agreements with the Federal government require them to cooperate with a still-ongoing investigation into the company's former management. Homestore's former CEO Stuart Wolff and former EVP Peter Tafeen reportedly are under investigation for their alleged role in the accounting fraud.

The plea agreements were announced last month by Attorney General John Ashcroft at a press conference.

"The defendants and other high-ranking corporate officers at Homestore admitted selling stock options and selling stock in the company for their own benefit despite knowing Homestore's revenues and earnings were fraudulently overstated," Ashcroft said at that time.

Homestore scores spot on TV Web sites

Agreement with Internet Broadcasting System extends exposure to channels in 40 markets

Homestore today announced an agreement with Internet Broadcasting Systems to be the exclusive provider of content for IBS-operated real estate channels on network television station Web sites in 40 U.S. markets.

The local Web sites are owned and operated by IBS in partnership with NBC; Hearst-Argyle Television; Post-Newsweek Stations, a division of the Washington Post Co.; McGraw-Hill Broadcasting Group; Scripps and other broadcasters.

During news broadcasts, the local television affiliates prompt consumers to log on to their news provider's Web site, which displays the "Real Estate" channel featuring Realtor.com, HomeBuilder.com and Homestore.com.

The real estate channels powered by Homestore will be available at network television Web sites in the following markets: Albuquerque, N.M.; Bakersfield, Calif.; Baltimore; Birmingham, Ala.; Boston; Chicago; Cincinnati; Dallas; Denver; Fort Smith, Ark; Greenville, S.C.; Hartford, Conn.; Honolulu; Indianapolis; Jackson, Miss.; Jacksonville, Fla.; Los Angeles; Louisville, Ky.; Milwaukee; Minneapolis; Monterrey, Calif.; New Orleans; New York; Oklahoma City; Omaha, Neb.; Orlando, Fla.; Philadelphia; Pittsburgh; Plattsburgh, Pa.; Providence, R.I.; Raleigh, N.C.; San Antonio; San Diego; San Francisco; Tampa, Fla.; Washington, D.C.; West Palm Beach, Fla.; and Winston Salem, N.C.

Homestore (Nasdaq:HOMS) is a media and technology provider for the real estate industry.

Realtor.com gets complete facelift

New front page puts search for homes in center of Web site

Realtor.com has erased its slate and drawn a brand-new Web site that's decidedly less cluttered than the prior rendition and that puts searching for a home and finding a Realtor front and center on the Web site's opening page.

The new look has larger and more prominent "Find a Home" and "Find a Realtor" functions and gives much more front-page space to information provided by and about the National Association of Realtors. Realtor.com is operated by Westlake Village, Calif.-based Homestore, but only under a complex agreement that gives NAR a significant measure of control over the content.

The new Realtor.com is the first peek at Homestore's long-anticipated new strategy for the Web site and suite of Realtor online marketing products. Homestore CEO Mike Long and senior executives have been hinting about the new look and lineup since earlier this year, and more details about the strategy are expected to be revealed this week at NAR's convention in New Orleans.

The "for Realtors" section now accessible from the front page contains a simple three-choice menu consisting of links to Homestore's i-marketing products, NAR's own industry news report and NAR's official Realtor.org association Web site.

All things considered, most of the new pages appear at a glance to be significantly improved. The exception is the Realtor products page, which opens with a friendly and informal "Welcome Realtors!" message, but is one of the more cluttered and ill-designed features of the new Web site. The "Listing Search by MLS" and "Realtor locator" functions, for instance, contain exhaustive alphabetical drop-down menus of more than 50 locales—and that's just the As.

The products section is divided into agent products, office products, broker solutions, imaging solutions, marketing toolbox and marketplace and each of those sections is further subdivided into specific promotions for those customer segments. The best feature may well be the more prominently displayed telephone numbers for customer service, (800) 878-4166, and broker support, (805) 557-3500. Sponsors—Kodak, e-FirstAid, 360hometours, Cort Furniture Rental and ServiceMagic.com--are relegated to the remote marketplace section.

The mortgage loan section contains services and information provided by LendingTree and Quicken Loans with off-to-the-side advertisements for GMAC Mortgage and Ditech.com. And the home and garden information for homeowners has been relocated to a separate section that can be found through a tab on the front page.

The new Realtor.com also has a new tagline: "The World's Largest Real Estate Database of Homes for Sale."

MLSs in dark about Realtor.com

But light may come on this week in New Orleans

Multiple listing services around the country are "not impressed with Homestore's efforts" to rebuild the company, according to an informal and admittedly unscientific survey of 23 such organizations conducted by Classified Intelligence, a consulting firm in Altamonte Springs, Fla., that researches interactive advertising trends in the real estate, employment, automotive, auction, personals and legal sectors.

The survey found the MLSs were unaware of Homestore's plans with respect to per-listing payments to MLSs for Homestore's display of those listings on its Realtor.com Web site. The MLSs were "doubtful" about whether they would renew their contracts for use of the data if Homestore decided to reduce the payments to the MLSs. Half the MLSs told Classified Intelligence they didn't know whether they would renew agreements sans the payments, 37 percent said they'd renew regardless of the payments and 10 percent said they wouldn't renew without the payments.

The MLSs surveyed gave Homestore an average C grade on the value they received from the company, citing poor communication and inflexibility as areas of unhappiness, according to the consultants. MLS executives told Classified Intelligence they couldn't always figure out who to contact for service within the company.

Complaints aside, nearly 60 percent of the MLSs rated Homestore's value an 8 or better on the consultants' one-to-10 poor-to-excellent satisfaction scale. Five of the respondents awarded a score of 10, and the overall average score was seven-plus. A number of MLS executives pointed to Realtor.com's "national footprint" as an advantage, according to Classified Intelligence.

MLSs in Jamestown, N.Y., Madison, Wis., Jackson County, Fla., and Augusta, Ga., were among those that participated in the survey.

The MLSs may be more unaware than unhappy with Homestore.

A story about the survey in Classified Intelligence's October newsletter stated: "If Homestore is working to rebuild, the people who need to know it the most—the real estate agents and brokers who are the company's primary clients and multiple listing services that post their listings—don't know anything about what Homestore is doing or planning."

The story said Homestore's new CEO Mike Long has been "remarkably quiet" about what the company has been doing.

Long has told Inman News a new Realtor.com is in the works, but he and other Homestore executives have been closed-mouthed about any details. The information blackout may be lifted this week when the product line-up is unveiled at the National Association of Realtors' convention in New Orleans.

Homestore shares closed yesterday on Nasdaq at 85 cents, still under the dollar-a-share mark, but certainly higher than 14 cents per share low of the last 52 weeks.

Realtor.com test drives new engine

Dalton to shift paradigm from online listings to online marketing

New Orleans – Homestore's announcement two weeks ago that it expects to report a $40 million third quarter net loss was not good news for the Westlake Village, Calif.-based company that operates Realtor.com as the official homes-for-sale Web site of the National Association of Realtors. But Allan Dalton, the marketing maven who two months ago replaced Steve Ozonian as president of Realtor.com, inherited a new strategy, a redesigned Web site and an unbundled product line that might present a road map for the company's future.

Dalton's plan, in a nutshell, is to transform Realtor.com's business model from that of an unprofitable online listings aggregator to that of a Realtor online marketing products company. The search-for-a-home and search-for-a-Realtor functions certainly haven't been dropped from the Realtor.com Web site, but the company's future now appears to depend more than ever on whether Realtors adopt or ignore its new product range.

"We want to help individuals understand that Realtor.com can be more instrumental in online marketing of homes in a way that involves homeowners enjoying a deeper role in the online marketing decision-making that will affect the online shelf position of their home," Dalton told Inman News at the NAR trade show held here last week.

Dalton believes home sellers should have a voice in the marketing plan for their home and to him "marketing plan" almost by definition means online marketing.

"I cannot imagine a seller seeking to opt-out of online exposure," he said.

That view may be shared by many brokers, but it didn't stop NAR's MLS Policy Committee from including a seller opt-out provision in its proposed rules governing the online display of MLS listing data though online virtual office Web sites known as VOWs. NAR's board of directors is expected to take up that proposal at its annual meeting here today.

Dalton seems undaunted by the prospect of VOWs, although he chooses his words on the subject with a lot of caution.

"Realtor.com serves in a sense as a Web site partner to all Realtors and all companies. Our mission is to drive traffic to any and all Web sites within the Realtor community….Realtor.com isn't seeking to be in competition with any individual company or Realtor," he said.

The difficulty Realtor.com—and by extension Homestore—always has faced is the necessity of achieving some sort of proportionality among the competing interests of large brokerage companies, small brokerage companies, sales associates, home buyers and home sellers. Finding that balance is what makes Dalton's job, in his own words, "a supreme challenge." He said the various constituencies view Realtor.com through "the prism of their own needs," but he added, "everyone's needs can be met through ensuring a vibrant Realtor.com."

The latest touted solution to the company's woes is Realtor.com's new marketing system product line, which was introduced to Realtors at the expo. The marketing system includes existing Realtor.com products in an unbundled format. On the price sheet are enhancements for online display of listings, Realtor Web sites and Web site utilities, property marketing reports, a Realtor.com member directory, the XLerator lead-generation and online marketing proposal service, featured homes online display advertising, virtual tours, e-mail marketing, a customer contact manager and an implementation kit. The kit contains marketing letters, press releases, newsletter articles and telemarketing scripts that aim to "help Realtors utilize their Realtor.com presence offline," according to a company statement. (Incidentally, the Realtor products section of Realtor.com will be getting a makeover to match the rest of the new Web site.)

Dalton makes the argument that online marketing is more effective than newsprint advertising. He said the unattractive cost-benefit structure of print classifieds is the "perpetual lament" of brokers and that marketing online in his view is a better approach.

Shifting the paradigm from print to online is an underlying assumption of Realtor.com's new strategy and product line. Dalton suggests that Realtor.com must increase public awareness of online homes for-sale advertising to alleviate the pressure on brokers to advertise sellers' homes in print classifieds. Sellers who perceive Realtor.com only as an online listing service won't understand the benefits of online marketing and will "revert to the prior paradigm," Dalton said. The goal is to educate consumers about online marketing to gain their support for the Realtor's implementation of Realtor.com's products.

Dalton also emphasized the aim of integrating the Realtor's personal marketing with the broker's brand and marketing of affiliated non-brokerage products and services, including mortgage brokerage and origination. Realtor.com aims to further and capitalize on that broker-and-agent-are-joined-at-the-hip approach.

"The Realtor needs to market the whole brokerage brand and services to be a full-time agent online," Dalton said. "We want to achieve that more than anything."

Realtor.com retools online marketing

Entices Realtors to relocate ad dollars to the Web

New Orleans—The new Realtor.com product line that Homestore unveiled here last week at the National Association of Realtors Expo looks a lot like a fixer-upper with a fresh coat of paint and some new landscaping. The foundation and structure are the same, but the enhanced curb appeal might entice some buyers who otherwise would have walked away from the product.

Conceptually, the new strategy links a fresher, less cluttered Realtor.com Web site with an array of online marketing products Realtors can use to integrate their online personal and production promotions with the national listings aggregated Web site, according to Realtor.com's VP of Product Development Marty Frame.

"It's really advertising. We're talking about selling Realtor.com by the inch, if you will. That's what this product strategy is about—a better medium for reaching the same people more efficiently and more of them," he said.

The product line will compete with the likes of out-of-bankruptcy Homes.com, iHouse.com, Advanced Access and a whole cottage industry of other online Realtor marketing and Web site providers. Competitors' products aren't as easily integrated with the gigantic Realtor.com Web site, but a local Internet data exchange (IDX) solution with a high opt-in participation rate might achieve a near-comparable result for the typical Realtor.

The new name—Realtor.com Marketing System—implies that the lineup is still a package of goods, but in fact, the products in the confusing iLead packages are being individually enhanced, augmented and smartly unbundled for separate purchase. That said, the company naturally still wants Realtors to buy the whole works. Frame wisely warns that "certain configurations make sense" and "it would be weird to buy some of these things if you didn't have a listing."

The unbundling enables Realtors to purchase Realtor.com products without buying a Realtor.com Web site. That's a plus for the company and its customers, two-thirds of whom have a personal Web site elsewhere that they already perceive as their preeminent online presence, according to Frame.

"Is a Realtor.com personal or firm Web site absolutely necessary to participate in the advertising value of Realtor.com? Obviously not," he said.

Despite the announcement at the NAR expo, neither the new products nor the new price sheet will be available until next year, and the redesigned Web site is still a work in progress. The consumer-oriented pages are mostly finished, but the ugly Realtor product pages are still being overhauled to match the rest of the Web site.

Some of the Realtor.com Marketing System products are new and others are upgraded versions of old-standbys. Existing components include enhancements of listings on Realtor.com, Realtor Web sites, Web site utilities, the agent version of the XLerator lead-generation and online marketing proposal service, "featured homes" online display advertising and integration of Realtor.com with Homestore-owned Top Producer and other contact manager systems.

The new elements are property marketing reports, an upgraded Realtor.com member directory, a broker version of XLerator, an e-mail marketing program and an implementation kit. The property marketing reports can be used to show home sellers the Realtor.com promotion efforts and results for their home. The Realtor directory, still populated by NAR's NRDS member records system, now will allow Realtors to add their own personal credentials. The e-mail marketing program consists of online promotional materials Realtors can use to tout their own use of Realtor.com products. And the implementation kit contains traditional print marketing letters, press releases and newsletter articles and telemarketing scripts that Realtors can use to complement the online marketing effort.

The virtual tours program isn't being rebuilt, but Frame said Realtor.com is adding "more PicturePath partners, more photographers and more choice" to that component of the system.

Other features on the drawing board include an improved homes-for-sale search function, more efficient uploading of MLS data, personal Web site tools with drag-and-drop functionality and a program that allows Realtors "to drive traffic to their personal and company Web sites," according to a company statement.

Frame said Realtors who want to purchase the exact same components as an existing iLead package will spend the same amount of money or a bit less than the package cost. He added that Realtors shouldn't be concerned about renewing or buying existing iLead packages through the end of this year. Existing customers "will receive (the rebuilt products) and other incremental system upgrades automatically and at no extra cost," according to a company statement.

"All this stuff is coming at the beginning of the year, so I'm a little worried about giving out pricing right now because it's real favorable pricing," he said.

The company is positioning the Realtor.com Marketing System as an alternative to print classifieds and other "offline" advertising. Frame suggested that Realtors working on their 2003 budgets "should be thinking about how they can begin to move some of the dollars they waste offline to online advertising" and "should expect to spend less as they allocate more of their budget to reach the same or large audience online."

The new Realtor.com also is sporting a new logo and a new tagline. The logo is a blue oval-shaped line encircling "Realtor.com" and encompassing the Realtor "R" symbol. The new tagline is "Realtor.com: Where property and personal promotion meet."

HOMS hit with $40 million loss

Overall financial health improves, but fourth quarter seen as 'clean up' period

Homestore lost another $40 million in the third quarter of 2002, bringing the company's total losses this year to $126 million, but CEO Mike Long was in a good position to report some positive developments in the company's year-long turnaround effort.

"With today's results, we believe we have successfully navigated the first steps in our turnaround, and we are now positioned to focus on the future development and growth of Homestore," he told securities analysts during a conference call Wednesday afternoon.

The company's revenue from continuing operations amounted to nearly $63 million in the third quarter, a decline of 21 percent compared with revenue of nearly $81 million in the third quarter of 2001 and a decline of 3 percent compared with revenue of $66 million in the second quarter of 2002. The $2 million quarter-over-quarter decline was attributed to discontinuing the full-service virtual tours program and less online advertising revenue from non-recurring contracts.

Homestore reported a net loss for the recent third quarter of nearly $40 million, or 34 cents per share, compared with a net loss of $138 million, or $1.25 per share, for the prior-year third quarter and a net loss of approximately $52 million, or 44 cents per share, for the current-year second quarter. Second quarter figures include a $10.2 million gain from the sale of ConsumerInfo.com and a $23 million charge for settlement of the MemberWorks litigation.

Third quarter figures include a restructuring charge of $10.7 million that consists of an adjustment to reserves recorded in previous quarters for unoccupied office space in San Francisco ($7.1 million), a staff reduction—Homestore now has about 2,000 employees—in September ($3.6 million) and continued cost cutting, according to the company.

Long and CFO Lew Belote said Homestore achieved positive operating income during the third quarter. Income from operations for the three-month period was $722,000, excluding a variety of nonrecurring and noncash charges.

"Early in the year, we established a target of stabilizing our revenues, getting our costs in line with those revenues and generating positive cash flow from operations by the end of the year. We are pleased to have done that a full quarter earlier than we had planned. We are now positioned to make investment necessary for the long-term health of the business," Belote told the analysts.

But Long added that the fourth quarter will still be a "clean-up" period and that management "remains cautious about making financial projections" to Wall Street.

Homestore's common stock will be moved on Monday at the opening bell from NASDAQ's National Market System to its Small Cap Market. The move pre-empts the stock being delisted due to noncompliance with NMS rules because the shares have been trading below $1 apiece for nearly four months.

"We have evaluated other methods of addressing our share price and have concluded--for now--that moving to the Small Cap Market is our best option. Our shares will retain their NASDAQ trading symbol (HOMS), and we do not expect a material change in liquidity with this move," Long said.

No definitive progress was reported on three troubling issues left over from the previous administration—the AOL arbitration, the class-action shareholder lawsuits and the dispute with Cendant Corp. over some of the terms of Homestore's acquisition of Move.com. Long said Homestore is in negotiations on all three of the issues, and he expects favorable settlements will be reached possibly, but not assuredly before year-end.

Homestore's revenue for the first nine months of 2002 was $203 million, a decrease of 8 percent compared with revenue of $222 million in the prior-year period. The net loss for the opening nine months of 2002 was $126 million, or $1.08 per share, compared with a net loss of $359 million, or $3.44 per share, for the prior-year period.

Homestore had $87.8 million in unrestricted cash and cash equivalents available on Sept. 30, 2002, to fund operations, and management expects to exit 2002 with $75-$80 million in unrestricted cash on the books.

Long told the analysts Homestore has "sufficient liquidity to execute (its) new business model (and) more confidently make strategic investments" in products and systems.

The CEO also reiterated earlier comments on Homestore's strategy of convincing Realtors to spend more of their offline marketing dollars—particularly the newspaper ad budget—on online marketing—especially Realtor.com products.

"We believe we can accelerate the transition of offline ad spending to online and position Homestore to capture more of that spend. Our product strategy (is to) create an entry-level product proposition that can achieve deeper market penetration, better align the value of our services with the pricing structure and enable our customers to be selective about which products and services best fit their needs through an a la carte offering," he said.

Long also gave the Wall Street analysts a summary of the new Realtor.com Marketing System introduced last week at the National Association of Realtors Expo in New Orleans, and he dropped a couple of hints about the yet-to-be-announced price sheet for the unbundled Realtor.com product line.

"The principles of our product pricing have fundamentally changed. Rather than one-price-fits-all, we are introducing pricing that relates to the local media market dynamics, the quantity of the agent's listings on Realtor.com and the level of enhancement of those listings," he said.

Cendant named in Homestore complaint

Real estate firm allegedly involved in illegal transactions

Cendant Corp. was named in a detailed and comprehensive civil lawsuit filed on Friday that alleges that the New Jersey-based firm engaged in bogus transactions with Homestore that allegedly resulted in the online real estate firm booking sham revenues, pumping up its stock price and deceiving its investors.

Richard Smith, head of Cendant's real estate group, was among 10 individuals named in the amended complaint, which was filed by the California State Teachers' Retirement System in District Court in Los Angeles.

Top Producer, IPIX and Bank of America, along with 15 other firms, were also mentioned in the complaint. With a raft of new twists, the 240-page complaint paints a sordid history of Homestore dragging in the names of a long line of firms both online and offline, including RE/MAX, GMAC and Wells Fargo, although those firms weren't named in the complaint or accused of wrongdoing.

At the heart of the alleged wrongdoing was Homestore's actions to "buy revenue" or create round-trip transactions. While that part is not new, the complaint details the role of top executives at Homestore, including former CEO Stuart Wolff and the "prince of deals" Peter Tafeen and for the first time makes allegations about David Rosenblatt, a former Intuit executive who was part of the inner circle with Wolff and Tafeen.

According the complaint, the questionable deals date back to a 1998 transaction in which Homestore paid RE/MAX International $5 million for exclusive listings and the Denver-based real estate franchise paid Homestore $5 million for Web site development and hosting, which the online real estate firm booked as revenue. Homestore also booked the exclusive listing agreement with RE/MAX as an asset. RE/MAX is mentioned in the complaint, but is not named as a defendant.

Homestore later began to give away stock for services in these barter arrangements and dragged in third parties to book the round-trip revenue. According to the complaint, the online realty firm reported big quarterly revenue gains and insiders sold stock after these filings, benefiting personally from the activity.

In addition to AOL/Time Warner and Cendant, the amended complaint also named L90, Dorado Corp., Akonix Systems, Internet Pictures, CityRealty.com, Classmates Online, CornerHardware.com, GlobeXplorer, Privista, PromiseMark, RevBox, SmartHome, WizShop.com and Top Producer Systems.

The expanded scope of the allegations, including descriptions of specific transactions at the "heart of the fraud," were obtained from "confidential sources with personal knowledge of how the fraud was accomplished," the complaint states. It describes the sources as people who were part of Homestore's senior management team during the class-action shareholder lawsuit period from May 4, 2000, to Dec. 21, 2001.

AOL-Time Warner-Homestore?

HOMS execs tried to sell company to AOL – ownership still possible

Imagine AOL owning Homestore. It may seem an unlikely prospect, but it's not entirely outside the outer edges of the realm of possibility, given the complexities of an existing agreement between the two companies and new hints that Homestore's former executives already may have tried to sell the company to AOL, ostensibly to bury the online real estate company's fraudulent accounting practices in the dustbin of the acquisition.

An amended complaint filed on Friday in Los Angeles District Court by the California State Teachers' Retirement Systems, which is the lead plaintiff in the consolidated class-action shareholder lawsuits against Homestore, reveals the details of some fascinating negotiations behind the scenes between Homestore and AOL.

The complaint stated that the two companies were talking acquisition in March 2001 and that Homestore viewed AOL as a "savior" that would enable Homestore's then-executives to bury certain accounting shenanigans involving third-party vendors and roundtrip transactions that improperly boosted Homestore's revenues.

The potential merger was dubbed "Final Four," because the discussions were going on during the NCAA basketball tournament. Final Four refers to the final four teams in the annual tournament.

At the time in 2001, discussions were so serious that Homestore compensation packages and stock options were reviewed, according to unnamed sources cited in the complaint. Homestore's former CEO Stuart Wolff potentially could have netted $100 million while former COO John Giesecke and former executive Peter Tafeen stood to make $15 to $20 million and former CFO Joseph Shew could have netted $5 million. Giesecke and Shew last month plead guilty to securities fraud.

The complaint stated that the compensation committee of Homestore's board of directors reviewed "triggers on change in control and acceleration of options." Wolff also was working out the details of an employment agreement with AOL, which was struggling with the potential loss of "$50 million revenue recognition from the House & Home deal," according to the CalSTRS complaint.

"Until the talks stalled sometime in May 2001, the senior management at Homestore considered the 'Final Four' acquisition by AOL to be one way out of having done the fraudulent first quarter 2001 revenue deal," the complaint alleged.

The talks supposedly stalled because the acquisition became "too rich" for AOL when Homestore's stock price climbed after it released its first quarter 2001 financial results. The acquisition would have been valued at approximately $4 billion at that time.

But that's not the whole story.

It all started in April 2000, when Homestore and AOL signed a five-year marketing and distribution agreement. Homestore paid AOL $20 million in cash and approximately 3.9 million shares of HOMS stock—then trading in the $20-plus per share range—and guaranteed that certain percentages of the stock—if still owned by AOL—would be worth 30-day average closing price of $65.64 per share with respect to 60 percent of the shares on July 31, 2003 ($153 million), $68.50 per share with respect to 20 percent of the shares on July 31, 2004 ($53 million), and $68.50 per share with respect to the remaining 20 percent of AOL's shares on July 31, 2005 ($53 million). Homestore agreed to cover any shortfall in the value of the shares to AOL in a cash payment not to exceed $90 million, an amount reported as restricted cash on Homestore's balance sheet, and the rest in either cash or stock-plus-a-premium at Homestore's discretion.

AOL reportedly still owned all the shares as recently as Sept. 30, when Homestore recorded a $215.8 million distribution obligation representing the fair market value of those 3.9 million shares on its books, according to the company's third-quarter 2002 report filed with the Securities Exchange Commission.

Homestore 13 months ago filed a demand for arbitration alleging that AOL breached the agreement by not building 18 specific promotions for Homestore and delivering guaranteed Homestore impressions to AOL users. The complaint also alleged that AOL breached its duty of good faith and fair dealing and violated contractual guarantees of exclusivity, premier partnership and prominent partnership for Homestore. An arbitration hearing was held in July and the companies are awaiting the results.

If the arbitration goes against Homestore, it's conceivable that AOL could end up owning a controlling interest in the online real estate company. Consider: Approximately $153 million would be due on July 30, 2003. Ninety million could be paid in cash, leaving about $63 million to be satisfied in cash or more stock. A stock grant plus the agreed-upon 12 percent premium would amount to $70.5 million or around 74 million HOMS shares at this morning's market price of 95 cents per share. Homestore had 118 million shares outstanding on Sept. 30, according to its third-quarter financial statements. Add 74 million shares to the 3.9 million AOL already owns and AOL would hold somewhere in the neighborhood of 66 percent of Homestore.

Homestore of course isn't obligated to buy 74 million shares of its own stock on the open market and hand them over the AOL. In fact, the company may well have a lot of other more or less appealing options, including paying out more cash, issuing more stock with the approval of its shareholders, renegotiating the original agreement with AOL, taking on additional debt to pay off AOL, soliciting bids from third parties to acquire the company and so on.

But set aside all that number-crunching and financial maneuvering and one way or another it is possible that AOL eventually could wind up owning a controlling interest in Homestore.

That prospect may already be causing some angst in Chicago at the National Association of Realtors, which licensed the Realtor.com domain to Homestore for the purpose of operating NAR's official homes-for-sale Web site. The terms of the Realtor.com operating agreement give NAR considerable veto-power over the Web site's design and content and the right to take away use of the Realtor.com domain if ownership of Homestore changes hands. Would NAR pull out of the Realtor.com operating agreement if AOL took over?

Teachers test Homestore future

CalSTRS-led lawsuit aims to teach corporate executives a lesson

The California State Teachers Retirement System joined the Homestore class-action shareholder lawsuit to recover $9 million in investment losses, but CalSTRS isn't in it just for the money.

After all, the country's third largest pension fund has 600,000 members and an investment portfolio valued at more than $92 billion. What CalSTRS also really wants is to turn Homestore into a case study in investor control of corporate governance, according to CalSTRS spokesperson Sherry Reser.

"In addition to the recovery of monetary losses, (certain) corporate governance changes will be sought. We want Homestore to be an example to other companies in making corporate governance changes so such behavior alleged in the complaint can't happen again," she said. She declined to specify what changes CalSTRS is seeking.

The outcome of the litigation could prove crucial to the future of Homestore, which this month launched a redesigned Realtor.com Web site and a revamped product line that encourages brokers and agents to integrate their own online marketing with the Web site. A lengthy legal battle and big win for the shareholders could cripple the company while a modest settlement could leave the company with adequate resources for its future.

The $9 million allegedly pilfered from the pockets of public school teachers is only the tip of the $1 billion iceberg that shareholders are attempting to recover through the class-action lawsuit against Homestore, a handful of its high-profile former executives and 15 other corporate defendants, including AOL-Time Warner and Cendant Corp.

The U.S. District Court in Los Angeles in March melded more than 19 separate shareholder lawsuits into one class-action motion and appointed CalSTRS as lead plaintiff. CalSTRS wasn't among initial complainants, but the organization petitioned the court for the lead plaintiff position because the case is on target with the organization's "overall financial market reform efforts," Reser said.

The lawsuit charges that Homestore, former CEO Stuart Wolff, former COO Peter Tafeen and a number of others used bogus sales transactions to falsify the company's earnings reports so the results would meet Wall Street analysts' revenue projections. The executives are accused of using the phony financial statements to pump up the company's stock price and pocket allegedly ill-gotten gains through the exercise of stock options and sale of company stock.

Reser said CalSTRS invested approximately $13 million in more than 400,000 shares of Homestore stock and lost $9 million on those investments during the class period of May 4, 2000, to Dec. 21, 2001.

But she said getting back the money isn't the organization's primary motivation for leading the lawsuit. Rather, it's the need to hold "bad actors" accountable in an effort to curb similar acts in the future.

As lead plaintiff, CalSTRS has appointed San Francisco-based law firm Cotchett, Pitre, Simon & McCarthy as its lead counsel. The firm will represent all HOMS shareholders who join the class, provide testimony at trial and front the expenses of the litigation. CalSTRS could be awarded reimbursement of court-approved costs and expenses in addition to its prorated share of any monetary recovery, according to a CalSTRS statement.

Mike Long, who was named CEO of Homestore after Wolff's resignation in January, has said all along that the company would like to settle the shareholder lawsuits. But that outcome may be more difficult to achieve now that the case has ensnared more defendants and the complaint has ballooned to 250 pages of legal jargon and nifty little round-trip transaction diagrams.

The Homestore case is CalSTRS second go as lead plaintiff in a class-action shareholder lawsuit. The organization was co-lead plaintiff with the Colorado Public Employees Retirement Association in a case against California Micro Devices. That case "ended successfully in settlements," according to a CalSTRS statement.

CalSTRS, the California Public Employees' Retirement System and the Los Angeles County Employees Retirement Association also are involved in a joint lawsuit against WorldCom executives and the major underwriters of WorldCom bonds issued in May 2001. The pension funds are seeking a combined $318 million in that case.

Reser wouldn't speculate on whether the Homestore case may be settled, nor would she estimate the total cost of the litigation, but she made clear that the lead plaintiff responsibility isn't a burden for CalSTRS.

"We're a very large organization. It's just all part of what we do. It's our responsibility to step up (and protect the teachers' interests). Our counsel is working on getting the best resolution it can for the class. At this point they've asked for a trial," she said.

She added that such cases typically take at least a year to resolve.

"That's the nature of the beast," she said.

Cendant rebuts hint of SEC probe

Says 'no basis' for reported investigation of Homestore deals

Cendant Corp. today refuted a New York Times report that the Securities Exchange Commission is investigating the company's involvement in the alleged financial wrongdoing at Homestore.

An article in today's newspaper said securities regulators are investigating Cendant's dealings with Homestore. The article attributed the information to unidentified "people involved in the investigation."

But Cendant this morning issued a statement that said: "There is no basis for, nor is there any indication of an investigation by the SEC or other authorities into Cendant with regard to the alleged activities at Homestore."

The Times reported that the head of the SEC's Pacific regional office declined to comment on whether the SEC is looking into Cendant's alleged involvement in Homestore's barter transactions.

Inman News today contacted Sandra Harris, associate regional director of the same office, and she also declined to comment on the matter.

Cendant's statement also said it received "no revenue from Homestore since June 1999" and "the alleged 'round-trip' transactions between Homestore, Cendant and the independent Real Estate Technology Trust have no basis in fact." The trust is a fund Cendant set up five years ago to make bulk purchases of technology products and services for its brokerage units.

The alleged round-trip transactions are described in the amended complaint filed in the class-action shareholder lawsuit against Westlake Village, Calif.-based Homestore, which operates the National Association of Realtor's official homes-for-sale Realtor.com Web site and sells marketing and technology products to real estate brokers and agents. The complaint accuses Homestore, certain of the company's former executives, Cendant, AOL and a long list of smaller technology and media companies of defrauding Homestore shareholders by knowingly disseminating bogus financial statements to inflate the company's stock valuation.

Homestore restated seven quarters of financial results because barter transactions had been improperly booked as revenue. Three former executives pleaded guilty to securities fraud and reportedly are believed to be cooperating with plaintiffs' counsel in the lawsuit. The SEC and U.S. Justice Department have commended Homestore for its cooperation with their investigations and are not pursuing charges.

The complaint alleged that Homestore's 2001 acquisition of Cendant's move.com and Welcome Wagon operations was one leg of a fraudulent "triangular transaction...in which Homestore bought revenue in exchange for an ownership interest in Homestore." Cendant received 21.3 million shares of Homestore stock worth approximately $761 million in exchange for move.com and Welcome Wagon. The complaint attempted to tie that acquisition to Real Estate Technology Trust's purchase of $80 million worth of Homestore products and services.

The complaint also stated that Real Estate Technology Trust in 2001 bought $15 million of virtual home tours from Homestore and alleged that that purchase was tied to a "give back" of $15 million to Cendant in the first quarter of 2002. The complaint points to Homestore's legendary former deal-maker Peter Tafeen as the alleged linchpin holding together the supposed sides of the triangle.

The New York Times reported that Tafeen "arranged a circular transaction with Cendant and the trust to tap the remaining $15 million, according to people involved in the investigation." The sources are not identified in the story.

Cendant today said it has "disclosed in numerous public filings over the past five years its relationship with the Real Estate Technology Trust and beginning in 2000 the Trust's relationship with Homestore."

The New York Times article elaborated on longstanding business ties that exist between Cendant and Homestore, Homestore and AOL, and particularly AOL and Cendant in the person of Robert Pittman, who was chief executive of Century 21 Real Estate Corp., then president of America Online and COO of AOL Time Warner until he resigned in July after the company restructured its management.

The Homestore shareholder lawsuit alleged that some of those ties amounted to fraudulent round-trip transactions that are central to the complaint's argument, but testimony and evidence have yet to be produced in court and whether the allegations will stand up to legal scrutiny remains to be determined.

Editorial: NAR, listen and learn

Controversy once again surrounds trade group's technology efforts

"The self-righteous rule out the possibility that they are what has gone wrong."
-- Mason Cooley, 1927

Deja vu?

Six years ago this fall, the National Association of Realtors was struggling to figure out what to do with its failed $16 million technology venture, then dubbed Realtor Information Network. The venture was floundering and the CEO had been axed in a storm of controversy.

Then a young and smart Ph.D. named Stuart Wolff came over from Denver to save the day for NAR and restore the credibility of the trade group's leadership, who were muddled up defending RIN.

Much has happened since then: Open war with Microsoft over the online real estate category, the creation of a new company with a several billion dollar market cap, a technology market crash, a Homestore market cap bust, accounting fraud, criminal investigations, indictments, new management and through it all millions of consumers looking for homes on Realtor.com every day.

Regrettably, through much of it NAR was led around by its nose by some contemptuous kids who suffered from the Henry Kissinger syndrome of thinking they were smarter than almost everyone else on the planet. Stock option bounties seemed to effectively nullify many of the critics.

Whew! It all seems somewhat unbelievable.

What should NAR learn from this? Distancing itself from the hooligans makes political and public relations sense, but we hope the powerful trade group goes deeper and spends a little time examining itself too. Its role in protecting the interests of real estate agents, and home buyers as well, is too important to do otherwise.

In this era of rethinking corporate governance, a NAR leadership retreat on "What went wrong at HomeStore and our role in it," might be time well spent.

If nothing else, NAR should learn to listen a little bit more to its critics—part of this mess would have been avoided if it had. They too care about the future of the industry.