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Dear Francene:

The 2004 National Relocation Conference, entitled Celebrating Partnerships, Professionalism and Pride, held by the Employee Relocation Council in Las Vegas, Nevada is now concluded. A number of important issues affecting the relocation, real estate and mortgage industries were discussed. Unlike prior years, in which there was an intense focus on a particular substantive area, like amended value program compliance or the tax audit issues, this year it appeared that there was a broader range of issues. Although less time was devoted to each of these issues, the large number created a very busy session. I believe, for the most part, this is indicative of the fact that no single legal or tax issue is pressing the industry; although several are having an impact. Among those issues receiving the greatest attention, from a tax and legal standpoint, were:

1. Amdahl Audit Status. The IRS appears to be continuing to audit relocation programs based on the decision in the Amdahl case. The use of two deeds appears, for the most part, to have quieted some of these concerns, at least on a going-forward basis. Nevertheless, there continues to be some level of uncertainty regarding where the IRS is going with this issue.

On January 21, 2004, the Employee Relocation Council filed with the IRS a request that it consider various fact patterns and respond with its

views on the taxability of the programs identified in those fact patterns. Included in the request are an Appraised Value Transaction with an Amended Value Option, an Appraised Value Transaction with an Assigned Sale Option and a Sham Amended Value Sale. ERC is still awaiting a response to its request for a response.

2. RESPA. The Real Estate Settlement Procedures Act of 1974 ("RESPA") remains one of the "hot spots" of the real estate, relocation, mortgage and settlement services industries. RESPA has been in the news because of HUD's failed effort to implement the proposed rule changing the platform for issuing mortgage loans. As a result of the determination by HUD not to publish a final rule permitting "one stop shopping" or "bundling" and making other changes with respect to the concept of a guaranteed mortgage package, various alternatives have been adopted by settlement service providers (including mortgage lenders, real estate brokers and others) designed to enable them to comply with the existing rule structure. Some of these business relationships appear to be right on the edge of permissible activities and are coming under increased scrutiny by HUD. HUD has added a number of new people including a new Deputy Assistant Secretary for Regulatory Affairs and Manufactured Housing. Gary Cunningham is HUD's new Chief Enforcement Officer of the Real Estate Settlement Procedures Act. Mr. Cunningham comes from private industry and apparently has some familiarity with settlement services business (as well as relocation). In addition, Theresa Baker Payne has been named as the new Deputy Director for Enforcement. Ms. Payne comes from HUD's General Counsel's office where she worked with RESPA reform proposals and helped develop HUD's Statement of Policy. In addition, HUD has added 13 new compliance specialists. All this adds up to the expectation of a significant increase in enforcement activity by HUD.

3. Do Not Call Requirements. The Do Not Call Requirements have been effective since October 1, 2003 and appear to be creating significant issues for real estate brokers, mortgage brokers and some participants in the relocation industry. With the establishment of a Do Not Call Registry, consumers were provided a vehicle for limiting the number of unwanted telemarketing calls they received. This includes calls from real estate brokers, mortgage lenders and others providing settlement services. While there may be limitations on brokers calling, relocation companies prefer to take the position that most of their activities are not covered by the prohibition. Nevertheless, many relocation companies are taking steps to ensure that employees give their consent to be contacted before the relocation company or its representative makes the initial phone call. The use of some form of employee consent is now commonplace, whether it is written or electronic. This effort is complicated by the application to some international transfers of the European Union Directive on Data Privacy

which, by its terms, requires that the employee complete a form opting into or out of the relocation program and agreeing that his or her data may be furnished to the entities that will be providing services. Additional issues relating to the need for hard copy rather than electronic consent under the EU Directive exist as well. All of these appear to be the subject of continuing discussion and compliance efforts.

4. Privacy and Information Security. Privacy and information security remain high on the list of areas in which compliance is required and on which companies are focused. It is clear that all "financial institutions" are required to comply with Gramm-Leach-Bliley and with its requirement that privacy notices be given in particular circumstances. Similarly, the maintenance of personal confidential information in confidence is an important part of this compliance. All of this must be taken together with the requirement that financial institutions (which includes relocation companies and their contractors) maintain an information security program in place that is capable of being monitored for compliance. Increasingly, employers are demanding that suppliers (third party relocation companies and their contractors and subcontractors) be able to demonstrate compliance with these privacy and information security requirements. Most of the larger service providers have taken noticeable efforts to comply with these requests. Could your company affirmatively demonstrate its compliance, if asked by a client or potential client to do so? That seems to be one of the questions routinely being asked.

5. CLUE. The potential impact of reports issued by the Comprehensive Loss Underwriting Exchange was another subject receiving some, if not considerable, attention. Issues relating to the nature of the CLUE Report, the contents of the CLUE Report, who is entitled to obtain a CLUE Report and the impact of such a Report on private home purchases and sales and the relocation transaction were the subject of various discussions and presentations. There was mixed reaction to the idea that third party relocation companies routinely obtain CLUE Reports, with some companies taking the position that it is better not to have that information in connection with its transactions; other third party companies and some employers believed differently. It remains to see where the industry ends up on this issue; that is, if any consensus at all can be reached.

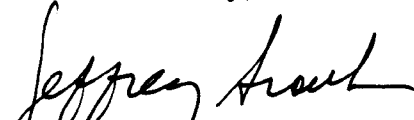
Other more narrow issues were discussed as well, including the adoption of additional state withholding legislation, the impact on relocation transactions of HUD anti-flipping rules, federal anti-SPAM legislation and mold concerns. All things considered, a great deal of meaningful business and education was conducted. Hopefully, this brief summary has given you a small flavor of some

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of what went on. If you want or need further information on any of this material, please do not hesitate to contact me.

Hopefully, you have had a good winter and most of the spring. I look forward to catching up with you again soon.

Yours sincerely,



Jeffrey A. Arouh

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