MOVE INC

FORM 8-K/A

(Amended Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K/A
AMENDMENT NO. 1

[X] CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)

October 31, 1999

Commission File Number 000-26659

Homestore.com, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State of Other Jurisdiction Incorporation or of Organization)	95-4438337 (I.R.S. Employer Identification Number)
225 West Hillcrest Drive, Suite 100 Thousand Oaks, California (Address of Principal Executive Office)	91360 (Zip Code)

(805) 557-2300
(Registrant's Telephone Number, Including Area Code)

Item 7. Financial Statements and Exhibits.

On November 15, 1999, Homestore.com, Inc. ("Homestore" or "Company") filed a Form 8-K to report the completion of its acquisition of Homebuyer's Fair, Inc. and FAS-Hotline, Inc. (together referred to as "Homefair" or "Homefair Group") on October 31, 1999. Homestore indicated that it would file the financial information required by Item 7 of Form 8-K no later than the date required by this item. Homestore is filing this Amendment No. 1 to provide this financial information.

(a) Financial Statements.

The following documents appear as Exhibits to this current report on Form 8-K/A:

(i) Consolidated Financial Statements for Homebuyer's Fair, Inc. as of December 31, 1997, 1998 and September 30, 1999 and for the years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999.

(ii) Combined Financial Statements for FAS-Hotline, Inc. and The Center for Mobility Resources, Inc. as of December 31, 1997, 1998 and March 31, 1999 and for the years ended December 31, 1997 and 1998 and for the three months ended March 31, 1999.

(iii) Financial Statements for National School Reporting Services, Inc. as of December 31, 1997 and for the year ended December 31, 1997 and for the period from January 1, 1998 to September 9, 1998.

(b) Pro Forma Financial Information.

The following documents appear as Exhibits to this current report on Form 8-K/A:

(i) Homestore.com, Inc. unaudited pro forma condensed combined consolidated balance sheet as of September 30, 1999.

(ii) Homestore.com, Inc. unaudited pro forma condensed combined consolidated statement of operations for the nine months ended September 30, 1999.

(iii) Homestore.com, Inc. unaudited pro forma condensed combined consolidated statement of operations for the year ended December 31, 1998.

(iv) Homestore.com, Inc. unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 1999 (excluding the acquisition of Homefair).

(v) Homestore.com, Inc. unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 1998 (excluding the acquisition of Homefair).

(vi) Homefair Group unaudited pro forma condensed combined consolidated statement of operations for the nine months ended September 30, 1999.

(vii) Homefair Group unaudited pro forma condensed combined consolidated statement of operations for the year ended December 31, 1998.

(c) Exhibits.

2.01 Stock Purchase Agreement dated as of October 12, 1999 by and among Homestore.com, Inc., a Delaware corporation, The Homebuyer's Fair, Inc., an Arizona corporation ("HBF"), the current shareholders of HBF as of the date thereof and certain persons who will become shareholders of HBF prior to the Closing, and Central Newspapers, Inc., an Indiana corporation ("CNI"), as Shareholder Agent. (Previously filed)

2.02 Stock Purchase Agreement dated as of October 12, 1999 by and among Homestore.com, Inc., FAS-Hotline, Inc., an Arizona corporation ("FAS"), the shareholders of FAS, and CNI, as Shareholder Agent. (Previously filed)

99.01 Consolidated Financial Statements for Homebuyer's Fair, Inc. as of December 31, 1997, 1998 and September 30, 1999 and for the years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999.

99.02 Combined Financial Statements for FAS-Hotline, Inc. and The Center for Mobility Resources Inc. as of December 31, 1997, 1998 and March 31, 1999 and for the years ended December 31, 1997 and 1998 and for the three months ended March 31, 1999.

99.03 Financial Statements for National School Reporting Services, Inc. as of December 31, 1997 and for the year ended December 31, 1997 and for the period from January 1, 1998 to September 9, 1998.

99.04 Unaudited Pro Forma Financial Information.

SIGNATURE

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

HOMESTORE.COM, INC.

Date: December 7, 1999

By: /s/ JOHN M. GIESECKE

John M. Giesecke, Jr.
Chief Financial Officer,
Vice President and Secretary

EXHIBIT 99.01

The Homebuyer's Fair, Inc.
Report on Consolidated Financial Statements For the years ended December 31, 1997 and 1998 and for the nine months ended September 30, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of The Homebuyer's Fair, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of The Homebuyer's Fair, Inc. and its subsidiaries (the "Company") at December 31, 1997 and 1998 and the results of its operations and its cash flows for the years ended December 31, 1997 and 1998, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Century City, California
November 22, 1999

THE HOMEBUYER'S FAIR, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 1997	December 31, 1998	September 30, 1999 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 96,185	$ 469,486	$ 1,198,888
Accounts receivable, net of allowance for doubtful accounts of $4,300 at December 31, 1997, $99,901 at December 31, 1998, and $226,647 at September 30, 1999	43,004	235,287	1,208,021
Deferred tax asset	59,296	11,366	88,957
Due from related party	--	--	125,250
Prepaids and other current assets	--	31,088	58,001
Total current assets	198,485	747,227	2,679,117
Property and equipment, net	24,761	183,026	543,486
Goodwill, net	--	6,717,571	10,026,020
Total assets	$223,246	$7,647,824	$13,248,623
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 7,250	$ 132,834	$ 259,122
Accrued liabilities	--	81,718	142,075
Income taxes payable	37,289	151,916	803,230
Deferred rent	--	13,591	--
Due to related party	5,284	21,466	144,454
Deferred revenue	143,203	380,183	450,049
Current portion of capital lease obligation	--	10,649	11,909
Total current liabilities	193,026	792,357	1,810,839
Notes payable	--	25,000	25,000
Capital lease obligation	--	31,009	21,920
	193,026	848,366	1,857,759
Commitments and contingencies (Note 9)			
Stockholders' equity:			
Common stock, no par value; 2,000 shares authorized, issued and outstanding at December 31, 1997 and 1998 and September 30, 1999	--	--	--
Additional paid-in capital	--	7,000,000	12,300,000
Accumulated earnings (deficit)	30,220	(200,542)	(909,136)
Total stockholders' equity	30,220	6,799,458	11,390,864
Total liabilities and stockholders' equity	$223,246	$7,647,824	$13,248,623

The accompanying notes are an integral part of these consolidated financial statements.

THE HOMEBUYER'S FAIR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 1997	Year Ended December 31, 1998	Nine Months Ended September 30, 1999 (unaudited)
Revenues	$635,669	$2,072,165	$5,087,297
Cost of revenues	44,739	261,217	716,193
Gross profit	590,930	1,810,948	4,371,104
Operating expenses:			
Sales and marketing	90,946	528,019	1,599,815
Product development	1,000	132,542	291,350
General and administrative	137,713	736,518	1,015,690
Amortization of intangible assets	--	479,826	1,567,173
Total operating expenses	229,659	1,876,905	4,474,028
Income (loss) from operations	361,271	(65,957)	(102,924)
Other income (expense)	3,917	(2,248)	(28,498)
Income (loss) before income tax	365,188	(68,205)	(131,422)
Income tax benefit (expense)	22,007	(162,557)	(577,172)
Net income (loss)	$387,195	$ (230,762)	$ (708,594)

The accompanying notes are an integral part of these consolidated financial statements.

THE HOMEBUYER'S FAIR, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance at January 1, 1997	--	$ --	$ --	$ (67,194)	$ (67,194)
Reorganization	2,000				
Distributions				(289,781)	(289,781)
Net income				387,195	387,195
Balance at December 31, 1997	2,000	--	--	30,220	30,220
Capital contributions made in connection with acquisition			7,000,000		7,000,000
Net loss				(230,762)	(230,762)
Balance at December 31, 1998	2,000	--	7,000,000	(200,542)	6,799,458
Capital contributions made in connection with acquisitions (unaudited)			5,300,000		5,300,000
Net loss (unaudited)				(708,594)	(708,594)
Balance at September 30, 1999 (unaudited)	2,000	$ --	$12,300,000	$(909,136)	$11,390,864

The accompanying notes are an integral part of these consolidated financial statements.

THE HOMEBUYER'S FAIR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1997	Year Ended December 31, 1998	Nine Months Ended September 30, 1999
			(Unaudited)
Cash flows from operating activities:			
Net income (loss)	$ 387,195	$ (230,762)	$ (708,594)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,222	27,750	94,106
Provision for doubtful accounts	4,300	95,601	126,746
Deferred rent	--	(2,360)	(13,591)
Amortization of intangible assets	--	479,826	1,567,173
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(11,695)	(277,905)	(928,039)
Other assets		(23,843)	(20,445)
Deferred income taxes	(59,296)	47,930	(77,591)
Accounts payable and accrued liabilities	49,823	(266,954)	816,470
Deferred revenues	(43,870)	(214,830)	69,866
Net cash provided by (used in) operating activities	330,679	(365,547)	926,101
Cash flows from investing activities:			
Purchases of property and equipment	(20,595)	(26,994)	(241,486)
Acquisition of NSRS, net of cash acquired	--	(5,845,400)	--
Acquisition of FAS & CMR, net of cash acquired	--	--	(3,940,269)
Net cash used in investing activities	(20,595)	(5,872,394)	(4,181,755)
Cash flows from financing activities:			
Capital contributions from Central Newspaper, Inc.	--	7,000,000	4,000,000
Capital distributions	(289,781)	--	--
Repayment of note payable	--	(405,000)	--
Net proceeds from (payments to) related parties	--	16,242	(7,115)
Repayment of capital lease obligation	--	--	(7,829)
Net cash provided by (used in) financing activities	(289,781)	6,611,242	3,985,056
Change in cash and cash equivalents	20,303	373,301	729,402
Cash and cash equivalents, beginning of period	75,882	96,185	469,486
Cash and cash equivalents, end of period	$ 96,185	$ 469,486	$ 1,198,888
Supplemental disclosure of non-cash investing activities:			
Net assets acquired (liabilities assumed) in connection with acquisitions	$ --	$(1,197,397)	$ 424,379
Issuance of equity in connection with the acquisition of CMR, Inc.	$ --	$ --	$ 1,300,000

The accompanying notes are an integral part of these consolidated financial statements.

THE HOMEBUYER'S FAIR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business:

The Company--The Homebuyer's Fair, Inc. (the "Company") is an Arizona corporation and subsidiary of Central Newspapers, Inc. ("CNI"), a media and information company. The Company provides internet-based relocation-related services and information to individuals who are relocating and to corporations who are relocating employees.

In September 1998, the Company acquired 100% of National School Reporting Services, Inc.'s ("NSRS") issued and outstanding common stock at which time NSRS became a wholly-owned subsidiary of the Company. NSRS provides internet- based information related to schools across the nation.

In April 1999, the Company acquired 80% of FAS Hotline, Inc.'s ("FAS") and 100% of The Center for Mobility Resources, Inc.'s ("CMR") issued and outstanding common stock through its parent company, CNI. FAS provides a full range of both domestic and international relocation services and information to both individuals and corporations. The information is compiled and presented in an automated fashion through CMR's web sites.

Effective October 31, 1999, Homestore.com, Inc. acquired from CNI and minority shareholders all of the Company and its subsidiaries' outstanding shares of common stock, at which time the Company became a wholly-owned subsidiary of Homestore.com, Inc.

2. Summary of Significant Accounting Policies:

Basis of Presentation--The consolidated financial statements of the Company reflect the financial position, results of operations and cash flows of NSRS from September 10, 1998, and FAS and CMR from April 1, 1999. All intercompany transactions and balances have been eliminated in consolidation.

Unaudited Interim Financial Information--The interim consolidated financial information of the Company for the nine months ended September 30, 1999 is unaudited. The unaudited interim financial information has been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows as of and for the nine months ended September 30, 1999.

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

Cash Equivalents--The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of deposits in money market funds.

Concentration of Credit Risk--Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and accounts receivable. Cash and cash equivalents are deposited with high credit quality financial institutions. The Company's accounts receivable are derived from revenue earned from customers located in the United States. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of accounts receivable.

Revenues generated from one of the Company's customers accounted for 27% of net revenues for the year ended December 31, 1997 and revenues generated from another customer accounted for 12% of net revenues for the year ended December 31, 1998. No customers accounted for more than 10% of net revenues for the nine months ended September 30, 1999 (unaudited). At September 30, 1999 (unaudited), one customer accounted for 13% of net accounts receivable.

Fair Value of Financial Instruments--The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and notes payable are carried at cost, which approximates their fair values because of the short-term maturity of these instruments and the relatively stable interest rate environment.

Property and Equipment--Property and equipment are stated at historical cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally five years or less, or the shorter of the lease term or the estimated useful lives of the assets, if applicable.

Goodwill--Goodwill resulted from the acquisitions of NSRS, FAS and CMR. This goodwill is being amortized on a straight-line basis over the estimated period of benefit of five years (Note 5).

The Company reviews 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. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets to their carrying value. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

Revenue Recognition--The Company sells leads and referrals to companies in the relocation industry services pursuant to short-term contracts. Revenue from leads and referrals is recognized as leads and referrals are delivered. The Company also sells banner advertising pursuant to short-term contracts. Advertising revenue is recognized based upon the lesser of impressions delivered over the total number of guaranteed impressions or ratably in the period in which the advertisement is displayed, provided that no significant company obligations remain and collection of the resulting receivable is probable. Company obligations typically include the guarantee of a minimum number of impressions or times that an advertisement appears in pages viewed by the users of the Company's online properties. Revenues are also derived from the sale of marketing and advertising products and services to real estate agents and brokers. Substantially all of the agent marketing products and services are sold on a monthly, quarterly or annual subscription basis. Accordingly, such revenues are deferred and recognized ratably over the period services are provided.

Product Development Costs--Product development costs incurred by the Company to develop, enhance, manage, monitor and operate the Company's web sites are expensed as incurred. Costs related to the research and compiling of information for the Company's web sites are expensed as incurred.

Advertising Expense--Advertising costs are expensed as incurred and totaled $52,823, $88,591 and $481,227 (unaudited) for the years ended December 31, 1997 and 1998 and for the nine months ended September 30, 1999, respectively.

Income Taxes--Income taxes are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Fiscal Year End--The Company operates under thirteen-week calendar quarters. For financial statement presentation purposes, however, the reporting periods are referred to as ended on the last calendar day of the period. The accompanying consolidated financial statements for the years ended December 31, 1997 and 1998 are for the fifty-two weeks ended December 28, 1997 and December 27, 1998, respectively. The accompanying unaudited consolidated financial statements for the nine-months ended September 30, 1999 are for the thirty-nine weeks ended September 26, 1999.

Comprehensive Income--Effective January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources. To date, the Company has not had any transactions that are required to be reported in comprehensive income.

Recent Accounting Pronouncements--In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") No. 98-1, "Software for Internal Use," which provides guidance on accounting for the cost of computer software developed or obtained for internal use. The adoption of SOP 98-1 in the first quarter of 1999 did not have a significant impact on the Company's financial position, results of operations or cash flows.

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5 requires that all start-up costs related to new operations must be expensed as incurred. In addition, start-up costs that were capitalized in the past must be written off when SOP No. 98-5 is adopted. The adoption of SOP No. 98-5 during the first quarter of 1999 did not have a significant impact on the Company's financial position, results of operations or cash flows.

3. Acquisitions:

Effective September 9, 1998, the Company acquired all the outstanding shares of NSRS, a Delaware corporation, in exchange for $6,000,000 in cash. This acquisition was funded through the Company's parent, CNI. The transaction has been accounted for as a purchase. The excess of purchase consideration over the net tangible assets acquired of $7,197,397 has been allocated to goodwill and is being amortized on a straight-line basis over five years. The purchase agreement also provides for certain contingent earn-out payments in the event that a predetermined level of earnings is achieved. For the year ended December 31, 1998 and for the nine months ended September 30, 1999 no earn-out payments were earned under the terms of this agreement.

Effective April 1, 1999, the Company acquired 80% of the outstanding shares of FAS, an Arizona corporation, in exchange for $4,000,000 in cash. This acquisition was funded through the Company's parent, CNI. The transaction has been accounted for as a purchase. The excess of purchase consideration over the net tangible assets acquired of $3,659,792 has been allocated to goodwill and is being amortized on a straight-line basis over five years. The purchase agreement also provides for certain contingent earn-out payments in the event that a predetermined level of earnings is achieved. For the nine months ended September 30, 1999, no earn-out payments were earned under the terms of this agreement.

Effective April 1, 1999, the Company acquired 100% of the outstanding shares of CMR through the Company's parent, CNI. Prior to this acquisition, CNI had owned 89% of the Company. In exchange for 9% of the Company's equity held by CNI valued at $1,300,000, the Company acquired 100% of CMR. The transaction has been accounted for as a purchase. The excess of purchase consideration over the net tangible assets acquired of $1,215,830 has been allocated to goodwill and is being amortized on a straight-line basis over five years. The

purchase agreement also provides for certain contingent earn-out payments in the event that a predetermined level of earnings is achieved. For the nine months ended September 30, 1999, no earn-out payments were earned under the terms of this agreement.

The following summarized unaudited pro forma financial information assumes the acquisitions of NSRS, FAS and CMR occurred at the beginning of each period:

	Year Ended December 31,		Nine Months Ended September 30,
	1997	1998	1999
Revenues	2,127,000	3,998,000	5,467,000
Net loss	(4,850,000)	(3,908,000)	(1,083,000)

4. Property and Equipment:

Property and equipment consists of the following:

	December 31,		September 30,
	1997	1998	1999
			(unaudited)
Computer equipment	$29,915	$125,326	$ 569,781
Furniture and fixtures	--	13,062	19,954
Leasehold improvements	--	36,142	39,361
Equipment under capital lease	--	41,400	41,400
	29,915	215,930	670,496
Less: Accumulated depreciation including capital lease amortization of $0, $3,577, and $8,406 at December 31, 1997 and 1998, and September 30, 1999 (unaudited), respectively	(5,154)	(32,904)	(127,010)
	$24,761	$183,026	$ 543,486

5. Goodwill:

Goodwill consists of the following:

	December 31, 1998	September 30, 1999
		(Unaudited)
Goodwill--NSRS	$7,197,397	$ 7,197,397
Goodwill--FAS & CMR	--	4,875,622
	7,197,397	12,073,019
Less: Accumulated amortization	(479,826)	(2,046,999)
	$6,717,571	$10,026,020

6. Related-Party Transactions:

At December 31, 1997 and 1998, the Company owed $5,284 and $21,466, respectively to a company owned by certain stockholders of the Company. This liability resulted from the payment of certain operating expenses on behalf of the Company.

At September 30, 1999, the Company owed $144,454 (unaudited) to its parent company, CNI. This liability resulted from CNI paying certain database consulting fees on behalf of the Company.

At September 30, 1999, the Company was owed $125,250 (unaudited) by its parent company, CNI. This receivable resulted from the Company paying for certain expenses on behalf of CNI.

7. Note Payable:

In connection with the acquisition of NSRS, the Company assumed a $25,000 note payable, which is due and payable on June 30, 2002.

8. Income Taxes:

The provision for income taxes is comprised of the following:

	December 31, 1997	December 31, 1998
Current Federal	$(29,868)	$ (91,816)
Current State	(7,421)	(22,811)
Deferred Federal	47,496	(38,392)
Deferred State	11,800	(9,538)
	$ 22,007	$(162,557)

The following is a summary of deferred tax assets as of December 31, 1997 and 1998:

	December 31, 1997	December 31, 1998
Deferred tax assets:		
Net operating losses	$ --	$ 2,286,061
Depreciation and amortization	--	413,349
Accruals and reserves	59,296	158,173
Total deferred tax assets	59,296	2,857,583
Less: valuation allowance	--	(2,846,217)
	$59,526	$ 11,366

As a result of the acquisition of NSRS by the Company, the deferred tax assets and related valuation allowance of NSRS are included in the Company's deferred tax asset balance at December 31, 1998. NSRS has net operating loss ("NOL") carryforwards for federal and state income tax purposes of approximately $5,686,718 which expire beginning in the tax year 2011. Realization of these NOLs and other deferred tax assets is dependent on future earnings of NSRS, if any, the timing and the amount of which are uncertain. Accordingly, based on management's assessment, a valuation allowance, related solely to the NSRS NOLs and deferred tax assets, has been established to reflect these uncertainties. The valuation allowance increased by $0 and $2,846,217 during the years ended December 31, 1997 and 1998, respectively.

The Company was acquired by CNI in October 1997 thereby terminating the Company's Limited Liability Company ("LLC") status. LLCs generally are treated as partnerships for tax purposes and thus income and losses of LLCs flow through to the partners and are taxed on the partners' income tax returns. Following the acquisition, the Company's income and losses were included in CNI's consolidated income tax return.

The provision for income taxes results in an effective tax rate that differs from the federal statutory rate as a result of the acquisition of the Company by CNI and nondeductible goodwill.

	For the years ended December 31,	
	1997	1998
Federal statutory provision (benefit)	$ 130,354	$(26,409)
State taxes, net of federal benefit	(2,847)	21,027
Permanent differences	(149,514)	167,939
	$ (22,007)	$162,557

9. Commitments and Contingencies:

Operating Leases

The Company leases certain facilities and equipment under noncancellable operating leases with various expiration dates through 2001. The leases generally contain renewal options and payments that may be adjusted for increases in operating expenses and increases in the Consumer Price Index.

Future minimum lease payments under these operating leases as of December 31, 1998 are as follows:

1999	$ 47,154
2000	97,426
2001	12,520
Total	$157,100

Rental expense for operating leases was $19,327, $29,400 and $63,506 for the years ended December 31, 1997 and 1998 and for the nine months ended September 30, 1999 (unaudited), respectively.

In connection with the acquisition of NSRS, the Company assumed capital leases for certain computer, telephone and copier equipment. The future minimum lease payments under capital leases, (including present value of net minimum lease payments) as of December 31, 1998 are as follows:

1999	$ 16,162
2000	16,162
2001	16,162
2002	3,570
2003	964
Total minimum obligations	53,020
Less amounts representing interest	(11,362)
Present value of minimum obligations	41,658
Less current portion	10,649
Long-term obligations	$ 31,009

Contingencies

From time to time, the Company has been party to various litigation and administrative proceedings relating to claims arising from its operations in the normal course of business. Based on the advice of counsel, management believes that the resolution of these matters will not have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

EXHIBIT 99.02

FAS-Hotline, Inc. & The Center
For Mobility Resources, Inc.
Combined Financial Statements
For the Years Ended December 31, 1997 and 1998 and for the three months ended March 31, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of FAS-Hotline, Inc. and The Center For Mobility Resources, Inc.

In our opinion, the accompanying combined balance sheets and the related combined statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of FAS- Hotline, Inc. and The Center For Mobility Resources, Inc. (collectively referred to as the "Company") at December 31, 1997 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1997 and 1998, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Century City, California
November 22, 1999

FAS-HOTLINE, INC. AND CMR, INC.

COMBINED BALANCE SHEETS

	December 31, 1997	December 31, 1998	March 31, 1999 (unaudited)
Assets			
Current assets:			
Cash	$ 66,171	$105,421	$ 59,731
Accounts receivable, net of allowance for doubtful accounts of $10,000 at December 31, 1997 and 1998, and March 31, 1999	108,767	85,046	161,441
Due from related parties	--	11,430	5,744
Other current assets	--	--	6,468
Total current assets	174,938	201,897	233,384
Property and equipment, net	194,712	186,332	213,081
Total assets	$369,650	$388,229	$ 446,465
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 20,914	$ 37,758	$ 22,467
Accrued liabilities	9,424	19,988	6,486
Due to related parties	2,041	5,343	10,607
Total current liabilities	32,379	63,089	39,560
Commitments (Note 4)			
Stockholders' equity:			
Common stock, no par value; 100,000 shares authorized, 2,300 shares issued and outstanding at December 31, 1997, 1998 and March 31, 1999	--	--	--
Additional paid-in capital	122,891	257,891	515,495
Accumulated earnings (deficit)	214,380	67,249	(108,590)
Total stockholders' equity	337,271	325,140	406,905
Total liabilities and stockholders' equity	$369,650	$388,229	$ 446,465

The accompanying notes are an integral part of these combined financial statements.

FAS-HOTLINE, INC. AND CMR, INC.

COMBINED STATEMENTS OF OPERATIONS

	Year Ended December 31,		Three Months Ended March 31,
	1997	1998	1999
			(unaudited)
Net revenues	$ 681,321	$1,310,842	$ 380,003
Cost of revenues	30,880	188,839	19,509
Gross profit	650,441	1,122,003	360,494
Operating expenses:			
Sales and marketing	278,323	610,191	188,094
Product development	36,219	26,780	103,500
General and administrative	377,447	598,801	139,602
Total operating expenses	691,989	1,235,772	431,196
Net loss	$ (41,548)	$ (113,769)	$ (70,702)

The accompanying notes are an integral part of these combined financial statements.

FAS-HOTLINE, INC. AND CMR, INC.

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Retained Earnings Accumulated (Deficit)	Total
	Shares	Amount			
Balance at December 31, 1996..	2,300	$ --	$ 2,300	$ 275,928	$ 278,228
Distributions.....				(20,000)	(20,000)
Capital contributions.....			120,591		120,591
Net loss.....				(41,548)	(41,548)
Balance at December 31, 1997..	2,300	--	122,891	214,380	337,271
Distributions.....				(33,362)	(33,362)
Capital contributions.....			135,000		135,000
Net loss.....				(113,769)	(113,769)
Balance at December 31, 1998..	2,300	--	257,891	67,249	325,140
Distributions (unaudited).....				(105,137)	(105,137)
Capital contributions (unaudited).....			257,604		257,604
Net loss (unaudited).....				(70,702)	(70,702)
Balance at March 31, 1999 (unaudited).....	2,300	$ --	$515,495	$(108,590)	$ 406,905

The accompanying notes are an integral part of these combined financial statements.

FAS-HOTLINE, INC. AND CMR, INC.

COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1997	Year Ended December 31, 1998	Three Months Ended March 31, 1999 (unaudited)
Cash flows from operating activities:			
Net loss	$ (41,584)	$(113,769)	$ (70,702)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Provision for doubtful accounts	10,000	--	--
Depreciation and amortization	56,472	100,610	40,875
Changes in operating assets and liabilities:			
Accounts receivable and related party receivables	104,092	12,292	(70,709)
Other current assets	--	--	(6,468)
Accounts payable and other current liabilities	(8,609)	30,710	(23,529)
Net cash provided by (used in) operating activities	120,371	29,843	(130,533)
Cash flows from investing activities:			
Purchases of property and equipment	(164,293)	(92,231)	(67,624)
Net cash used in investing activities	(164,293)	(92,231)	(67,624)
Cash flows from financing activities:			
Proceeds from capital contributions	120,591	135,000	257,604
Capital distributions	(20,000)	(33,362)	(105,137)
Net cash provided by financing activities	100,591	101,638	152,467
Change in cash	56,669	39,250	(45,690)
Cash, beginning of period	9,502	66,171	105,421
Cash, end of period	$ 66,171	$ 105,421	$ 59,731

The accompanying notes are an integral part of these combined financial statements.

FAS-HOTLINE, INC. AND CMR, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Business:

FAS-Hotline, Inc. ("FAS") and The Center for Mobility Resources, Inc. ("CMR") (the "Companies" or "Company") are Arizona corporations that were formed on July 7, 1994 and March 9, 1995, respectively. The Company is a provider of a full range of both domestic and international relocation services, which include cost of living comparisons, homemarketing and selling, homebuying, mortgage information and van line services, and rental property support.

Effective April 1, 1999, The Homebuyer's Fair, Inc. ("HBF") acquired 100% of CMR's outstanding shares of Common Stock, and Central Newspapers, Inc. ("CNI") (CNI, parent company of HBF) acquired 80% of FAS's outstanding shares of Common Stock, at which time the Companies effectively became wholly owned subsidiaries of HBF and its parent, CNI.

On October 31, 1999, Homestore.com acquired all of HBF and its subsidiaries' outstanding shares of common stock, at which time the Company became a wholly-owned subsidiary of Homestore.com, Inc.

2. Summary of Significant Accounting Policies:

Basis of Presentation--The combined financial statements include the accounts of the Companies. All intercompany transactions and balances have been eliminated in combination.

Unaudited Interim Financial Information--The interim consolidated financial information of the Company for the three months ended March 31, 1999 is unaudited. The unaudited interim financial information has been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows as of and for the three months ended March 31, 1999.

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Concentration of Credit Risk--Financial instruments that potentially subject the Company to a concentration of risk consist of cash and accounts receivable. Cash is deposited with high credit quality financial institutions. The Company's accounts receivable are derived from revenue earned from customers located in the United States. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of its accounts receivable.

During the years ended December 31, 1997 and 1998 and for the three months ended March 31, 1999 (unaudited) no customers accounted for more than 10% of net revenues or net accounts receivable.

Property and Equipment--Property and equipment are stated at historical cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally five years or less, or the shorter of the lease term or the estimated useful lives of the assets, if applicable.

Long-Lived Assets--The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets to their carrying value. If the

carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value, Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

Revenue Recognition--The primary source of the Company's revenue is derived from the sale of referrals to van lines, mortgage providers and other companies in the real estate and relocation industry. Revenue is recognized as such referrals are made.

Product Development Costs--Costs related to the research and compiling of cost of living information is expensed as incurred.

Advertising Expenses--Advertising costs are expensed as incurred and totalled $32,928, $42,168 and $27,009 (unaudited) for the years ended December 31, 1997 and 1998 and for the three months ended March 31, 1999, respectively.

Income Taxes--Income taxes are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Comprehensive Income--Effective January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources. To date, the Company has not had any transactions that are required to be reported in comprehensive income.

Recent Accounting Pronouncements--In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") No. 98-1, "Software for Internal Use," which provides guidance on accounting for the cost of computer software developed or obtained for internal use. The adoption of SOP 98-1 in the first quarter of 1999 did not have a significant impact on the Company's financial position, results of operations or cash flows.

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5 requires that all start-up costs related to new operations must be expensed as incurred. In addition, start-up costs that were capitalized in the past must be written off when SOP No. 98-5 is adopted. The adoption of SOP No. 98-5 during the first quarter of 1999 did not have a significant impact on the Company's financial position, results of operations or cash flows.

3. Property and Equipment:

Property and equipment consists of the following:

	December 31,		March 31,
	1997	1998	1999
			(Unaudited)
Computer equipment	$235,430	$ 312,866	$ 380,490
Office furniture and fixtures	27,794	42,588	42,588
	263,224	355,454	423,078
Less: Accumulated depreciation	(68,512)	(169,122)	(209,997)
	$194,712	$ 186,332	$ 213,081

4. Commitments:

The Company leases its office facility under a three year noncancellable operating lease. The lease contains renewal options and payments that may be adjusted for increases in operating expenses and increases in the Consumer Price Index. Future minimum lease payments under this noncancellable operating lease as of December 31, 1998 are as follows:

1999	$ 50,190
2000	52,426
2001	8,770
Total	$111,386

Rent expense was $17,506, $31,856 and $8,355 (unaudited) for the years ended December 31, 1997 and 1998, and for the three months ended March 31, 1999, respectively.

5. Related Party Transactions:

At December 31, 1997 and 1998 and as of March 31, 1999, the Company had an outstanding receivable due from HBF in the amount of $0, 11,430, and $5,744 (unaudited), respectively. This receivable resulted from FAS paying certain operating expenses on behalf of HBF.

At December 31, 1997 and 1998, and as of March 31, 1999, the Company owed $2,041, $5,343, and $10,607 (unaudited), respectively to HBF. This liability resulted from HBF paying certain operating expenses on behalf of the Company.

During the year ended December 31, 1998, the Company paid sales commissions to two of the Company's stockholders amounting to $199,907.

During 1997 and 1998, the Company entered into a consulting agreement with a shareholder of the Company. The agreement provided for an annual fee of $80,000 for management services. Included in general and administrative expenses for 1997 and 1998 are management fees of $80,000, respectively. The contract was cancelled on January 1, 1999.

6. Income Taxes:

The Companies are Subchapter S corporations for federal and state income tax purposes. In accordance with federal and state provisions, corporate earnings flow through to the stockholders and are taxed at the stockholder level. Deferred income tax assets and liabilities are not considered material to the financial position of the Companies at December 31, 1997 and 1998, and March 31, 1999. The provision for income taxes is comprised of the minimum Arizona franchise tax and is not material for the years ended December 31, 1997 and 1998 and for the three months ended March 31, 1999. Due to the acquisition of the Companies by HBF on April 1, 1999, the Company's Subchapter S status terminated (Note 1).

EXHIBIT 99.03

National School Reporting
Services, Inc.
Report on Financial Statements
For the Year Ended December 31, 1997
and for the Period from January 1, 1998 through September 9, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of National School Reporting Services, Inc.

In our opinion, the accompanying balance sheet and the related statements of operations, of stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of National School Reporting Services, Inc. (the "Company") at December 31, 1997 and the results of its operations and its cash flows for the year ended December 31, 1997 and the period from January 1, 1998 to September 9, 1998, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Century City, California
November 22, 1999

NATIONAL SCHOOL REPORTING SERVICES, INC.

BALANCE SHEET

	December 31, 1997
Assets	
Current assets:	
Cash	$ 1,797
Accounts receivable, net of allowance for doubtful accounts of $1,978	3,069
Prepaid expenses and other current assets	4,294
Total current assets	9,160
Property and equipment, net	230,682
Other assets	7,004
Total assets	$ 246,846
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity Deficit	
Current liabilities:	
Accounts payable	$ 108,722
Accrued liabilities	75,541
Accrued professional fees	124,215
Due to related party	67,500
Deferred revenue	204,116
Deferred rent	20,671
Current portion of capital lease obligation	7,775
Total current liabilities	608,540
Capital lease obligation	34,690
Note payable	25,000
	668,230
Commitments (Note 9)	
Redeemable convertible preferred stock, $0.01 par value; 7,077 shares authorized, 5,002 issued and outstanding; redemption value of $5,862,024	5,862,024
Stockholders' deficit:	
Common stock, $0.01 par value, 11,123,934 shares authorized, 4,166,675 shares issued and outstanding	41,667
Additional paid-in capital	190,000
Note receivable from stockholder	(33,224)
Accumulated deficit	(6,481,851)
Total stockholders' deficit	(6,283,408)
Total liabilities and stockholders' equity	$ 246,846

The accompanying notes are an integral part of these financial statements.

NATIONAL SCHOOL REPORTING SERVICES, INC.

STATEMENTS OF OPERATIONS

	Year Ended December 31, 1997	January 1, 1998 through September 9, 1998
Net revenues	$ 810,083	$ 615,058
Cost of revenues	312,001	153,326
Gross profit	498,082	461,732
Operating expenses:		
Sales and marketing	1,032,627	634,811
Product development	584,788	173,298
General and administrative	1,393,822	1,566,993
Total operating expenses	3,011,237	2,375,102
Loss from operations	(2,513,155)	(1,913,370)
Interest expense, net	11,398	6,206
Other expense	16,840	3,214
Net loss	(2,541,393)	(1,922,790)
Accrued dividends on redeemable convertible preferred stock	(502,904)	(126,944)
Net loss applicable to common stockholders	$(3,044,297)	$(2,049,734)

The accompanying notes are an integral part of these financial statements.

NATIONAL SCHOOL REPORTING SERVICES, INC

STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock		Additional Paid-in Capital	Note Receivable From Stockholder	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balances at December 31, 1996	4,166,675	$41,667	$ --	$(33,224)	$(3,437,554)	$(3,429,111)
Accrued stock compensation for services			190,000			190,000
Accrued dividends on redeemable convertible preferred stock					(502,904)	(502,904)
Net loss					(2,541,393)	(2,541,393)
Balances at December 31, 1997	4,166,675	41,667	190,000	(33,224)	(6,481,851)	(6,283,408)
Forgiveness of note receivable				33,224		33,224
Issuance of common stock for services	1,225,383	12,254	480,173			492,427
Stock-based compensation for options granted			535,445			535,445
Conversion of note payable to common stock	133,334	1,333	48,667			50,000
Repurchase of preferred stock			4,418,778			4,418,778
Accrued dividends on redeemable convertible preferred stock					(126,944)	(126,944)
Net loss					(1,922,790)	(1,922,790)
Balance at September 9, 1998	5,525,392	$55,254	$5,673,063	$ --	$(8,531,585)	$(2,803,268)

The accompanying notes are an integral part of these financial statements.

NATIONAL SCHOOL REPORTING SERVICES, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1997	January 1, 1998 Through September 9, 1998
Cash flows from operating activities:		
Net loss	$(2,541,393)	$(1,922,790)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	437,165	80,949
Deferred rent	(7,080)	(4,720)
Forgiveness of note receivable from stockholder	--	33,224
Stock-based compensation	190,000	1,027,871
Other non-cash items	11,451	37,500
Changes in operating assets and liabilities:		
Accounts receivable	16,668	(6,910)
Prepaid expenses and other current assets	5,826	4,053
Accounts payable and accrued liabilities	106,836	280,405
Deferred revenues	(104,193)	247,694
Net cash used in operating activities	(1,884,720)	(222,724)
Cash flows from investing activities:		
Purchases of property and equipment	(33,028)	(2,825)
Proceeds from sale of assets	7,703	--
Net cash used in investing activities	(25,325)	(2,825)
Cash flows from financing activities:		
Net proceeds from issuance of redeemable preferred stock	1,850,000	350,000
Repayment of capital lease obligations	(4,025)	(7,260)
Proceeds from notes payable	30,000	--
Repayment of related party notes payable	(25,000)	(30,000)
Net cash provided by financing activities	1,850,975	312,740
Change in cash	(59,070)	87,191
Cash, beginning of period	60,867	1,797
Cash, end of period	$ 1,797	$ 88,988
Supplemental disclosure of cash flows activities:		
Cash paid during the year for interest	$ 11,398	$ 6,206
Supplemental schedule of non-cash investing and financing activities:		
Issuance of note payable in exchange for repurchase of redeemable convertible preferred stock	$ --	$ 405,000
Conversion of related party payables into common stock	$ --	$ 50,000
Conversion of related party payables into redeemable convertible preferred stock	$ --	$ 25,000
Equipment obtained under capital lease obligation	$ 46,490	$ --

The accompanying notes are an integral part of these financial statements.

NATIONAL SCHOOL REPORTING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. The Company And Summary Of Significant Accounting Policies:

The Company--National School Reporting Services, Inc. (the "Company"), a Delaware corporation, is a leading provider of school information to the relocation market. Prior to moving, families can obtain school information free on the Company's network of Internet sites or through our network of real estate agents and brokers, who subscribe to the Company's service. Service programs offer selected products and services to enhance the existing relationships between the relocation industry and its customers.

Effective September 9, 1998, The Homebuyer's Fair, Inc. ("HBF"), an Arizona corporation and a subsidiary of Central Newspapers, Inc. ("CNI"), acquired all of the Company's issued and outstanding shares of common stock, at which time the Company became a wholly-owned subsidiary of HBF.

Effective October 31, 1999, Homestore.com, Inc. acquired all of HBF and its subsidiaries' outstanding common stock from CNI, at which time HBF became a wholly-owned subsidiary of Homestore.com, Inc.

2. Summary of Significant Accounting Policies:

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Concentration of Credit Risk--Financial instruments that potentially subject the Company to a concentration risk consist of cash and accounts receivable. Cash is deposited with high credit quality financial institutions. The Company's accounts receivable are derived from revenue earned from customers located in the United States. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of accounts receivable.

During the year ended December 31, 1997 and for the period from January 1, 1998 through September 9, 1998, no customers accounted for more than 10% of net revenues or net accounts receivable.

Property and Equipment--Property and equipment are stated at historical cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years, or the shorter of the lease term or the estimated useful lives of the assets, if applicable.

Long-Lived Assets--The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets to their carrying value. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

Revenue Recognition--Revenues are derived from the sale of advertising and marketing products and services to real estate agents and brokers. Substantially all of the agent advertising products and services are sold on a monthly, quarterly or annual subscription basis. Accordingly, revenues are deferred and recognized ratably over the service period, as such services are rendered.

Product Development Costs--Product development costs incurred by the Company to develop, enhance, manage, monitor and operate the company's websites are expensed as incurred. Costs related to the research, compiling and updating of school information are expensed as incurred.

Advertising Expense--Advertising costs are expensed as incurred and totalled $58,083 during the year ended December 31, 1997 and $20,128 for the period from January 1, 1998 through September 9, 1998.

Income Taxes--The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", which requires the use of the liability method in accounting for income taxes. Under SFAS No. 109, deferred tax assets and liabilities are measured based on differences between the financial reporting and tax basis of assets and liabilities using enacted tax rate and laws that are expected to be in effect when the differences are expected to reverse.

Stock-Based Compensation--The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation expense is recognized over the vesting period based on the difference, if any, on the date of grant between the deemed fair value for accounting purposes of the Company's stock and the exercise price on the date of grant. The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") 96-18.

Comprehensive Income--Effective January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources. To date, the Company has not had any transactions that are required to be reported in comprehensive income.

Recent Accounting Pronouncements--In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") No. 98-1, "Software for Internal Use," which provides guidance on accounting for the cost of computer software developed or obtained for internal use. The adoption of SOP 98-1 in the first quarter of 1999 did not have a significant impact on the Company's financial position, results of operations or cash flows.

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5 requires that all start-up costs related to new operations must be expensed as incurred. In addition, start-up costs that were capitalized in the past must be written off when SOP No. 98-5 is adopted. The adoption of SOP No. 98-5 during the first quarter of 1999 did not have a significant impact on the Company's financial position, results of operations or cash flows.

3. Related Party Transactions:

At December 31, 1997 the Company had a note receivable from stockholder in the amount of $33,224. At September 9, 1998, the note was forgiven and recorded as compensation expense.

On July 1, 1992, the Company obtained a $12,500 note payable from a stockholder which is due and payable on July 31, 2002. This note was issued in connection with a Participation Agreement (see Note 8). During 1998, the note was converted into 25 shares of the Company's redeemable preferred stock (see note 10).

On November 15, 1992, the Company obtained a $25,000 note payable from a stockholder which is due and payable on November 15, 2002. The note bears interest at a rate of 7.02% per annum. During 1998, the note plus accrued interest was converted into 133,334 shares of the Company's Common Stock (see Note 10).

On December 10, 1997, the Company obtained a $30,000 note payable from a stockholder. The note bears interest at a rate of 8% per annum. The principle and interest on this note was paid on February 12, 1998.

4. Income Taxes:

The provision for income taxes results in an effective tax rate that differs from the federal statutory rate primarily due to the establishment of a valuation allowance against the Company's net operating losses and other deferred tax assets.

The following is a summary of deferred tax assets as of December 31, 1997:

Deferred tax assets:	
Net operating loss carryforwards	$ 1,657,544
Accruals and reserves	158,556
Other	257,156
Total deferred tax assets	2,073,256
Less: valuation allowance	(2,073,256)
Net deferred tax assets	$ --

At December 31, 1997, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $4,123,245 which begin to expire in the tax year 2011.

Realization of net operating losses and deferred tax assets is dependent on future earnings, if any, the timing and the amount of which are uncertain. Accordingly, based on management's assessment, a valuation allowance in an amount equal to the deferred tax assets as of December 31, 1997 has been established to reflect these uncertainties.

5. Property and Equipment:

Property and equipment consists of the following:

	December 31, 1997
Equipment under capital lease	$ 46,490
Computer equipment and software	1,128,056
Office furniture and fixtures	37,307
Leasehold improvements	78,501
	1,290,354
Less: accumulated depreciation including capital lease amortization of $7,660	(1,059,672)
	$ 230,682

6. Accrued Liabilities:

Accrued liabilities consist of the following:

	December 31, 1997
Accrued payroll and employee benefits	$ 40,144
Other accrued liabilities	35,397
	$ 75,541

7. Note Payable:

On July 1, 1992, the Company obtained a $25,000 note payable, which is due and payable on June 30, 2002. This note was issued in connection with a Participation Agreement (see Note 8).

8. Participation Agreement:

On July 1, 1992 the Company entered into Participation Agreements with two individuals ("Participants"). The Participants invested funds to further finance the Company's operations and marketing efforts in exchange for a participation interest in the annual fees paid by real estate agencies in territories as stipulated in the Agreements and a Promissory Note for the investment amount (see Notes 3 and 7).

Participation interest is calculated based on the number of real estate agencies (new and renewal) at varying rates. Expense related to the participation agreements was $8,586 and $3,672 for the year ended December 31, 1997 and for the period from January 1, 1998 through September 9, 1998, respectively.

The Agreements are for a period of ten years ending June 30, 2002. In addition, the Agreements include a call provision granting the Company the option of purchasing all of the Participant's participation interest and other rights and terminate all of the Company's obligations at amounts stipulated in the Agreement. During 1998, the Company called the Participation Agreement with a related party (see Note 3). As part of this call, the principal and related participation interest was converted into 25 shares of the Company's Series D Preferred Stock (see Note 10).

9. Commitments:

On December 1, 1995 the Company entered into a noncancellable five year operating lease. The lease provides free rent for the first six months. In accordance with SFAS No. 13, "Accounting for Leases" the free rent is deferred and recognized over the term of the related lease. The effect of such accounting results in additional cash payments over rent expense of $7,080 and $4,720 for the year ended December 31, 1997 and for the period from January 1, 1998 through September 9, 1998, respectively. Future minimum lease payments under this noncancellable operating lease are $70,850 per year for 1998 through 2000.

Rent expense was $63,770 for the year ended December 31, 1997 and $48,417 for the period from January 1, 1998 through September 9, 1998.

During 1997, the Company entered into capital leases for certain computer and telephone equipment totaling $46,490 of capitalized costs.

The future minimum lease payments under capital leases, (including the present value of net minimum lease payments) as of December 31, 1997 are as follows:

1998	$ 13,270
1999	13,270
2000	13,270
2001	13,270
2002	678
Total minimum obligations	53,758
Less amounts representing interest	(11,293)
Present value of minimum obligations	42,465
Less current portion	7,775
Long-term obligations	$ 34,690

10. Stockholders' Deficit

The Company has one class of authorized common stock and four series of authorized redeemable convertible preferred stock ("preferred stock").

Common Stock

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock and all outstanding common stock warrants, plus shares granted and available for grant under the Company's stock option plan. The amount of such shares of common stock reserved for these purposes is as follows:

	December 31, 1997	September 9, 1998
Conversion of preferred stock	9,038,211	3,110,808
Outstanding warrants	--	1,077,360
Outstanding stock options	75,758	1,180,796
Additional shares available for grant under the Company's stock option plan	1,496,573	391,535
	10,610,542	5,760,499

Preferred Stock

As of December 31, 1997 and September 9, 1998, the Company had the following preferred stock outstanding:

	December 31, 1997	September 9, 1998
Series A, $0.01 par value, 2,152 shares authorized, 2,152 and 238 shares issued and outstanding at December 31, 1997 and September 9, 1998, respectively	$2,735,333	$ 324,983
Series B, $0.01 par value, 1,000 shares authorized, 1,000 and 0 shares issued and outstanding at December 31, 1997 and September 9, 1998, respectively	1,151,967	--
Series C, $0.01 par value, 3,250 and 2,575 shares authorized, 1,550 and 425 shares issued and outstanding at December 31, 1997 and September 9, 1998, respectively	1,674,724	494,269
Series D, $0.01 par value, 675 authorized, 300 and 675 shares issued and outstanding at December 31, 1997 and September 9, 1998, respectively	300,000	720,937
	$5,862,024	$1,540,189

Each share of Series A, B, C and D preferred stock is entitled to vote on all matters. Each holder of preferred stock is entitled to the number of votes equal to the number of shares of common stock into which such shares of preferred stock shares could then be converted. The holders of preferred stock, voting as a separate class, elect four members of the Board of Directors.

Each share of preferred stock earns cumulative dividends at a rate of $120 per share per year. These dividends accrue whether or not earned or declared. Additionally, the preferred stock is convertible at the option of the holder into shares of common stock equal to the initial purchase value of preferred shares of $1,000 per share divided by the applicable conversion rate. The conversion rates for the preferred stock at December 31, 1997 and September 9, 1998 were $0.7709 for Series A, $0.3855 for series B, $0.42405 for Series C and $0.375 for Series D.

In addition, each share of preferred stock shall automatically be converted into shares of common stock at the then effective Conversion Rate for such share immediately prior to the consummation of a firmly underwritten public offering of common stock. The Preferred Stock is converted provided that the price per share is not less than $2.313 (subject to appropriate adjustment for stock splits, stock dividends, reclassifications, recapitalizations and the like) and the aggregate gross proceeds to the Company are not less than $20 million.

Under the terms of the preferred stock agreements, 33% of each series of preferred stock is redeemable on June 30, 2000, 67% is redeemable on June 30, 2001 and 100% is redeemable on June 30, 2002. The redemption price shall be an amount equal to $1,000 per share, plus any unpaid cumulative dividends.

In February 1998 the Company entered into a Stock Redemption Agreement with certain holders of Preferred Stock. Under this agreement the Company redeemed 1,912 shares of Series A Preferred Stock, 1,000 shares of Series B Preferred Stock and 1,125 shares of Series C Preferred Stock with a redemption value of $4,823,778 in exchange for a note payable of $405,000 and warrants to purchase 1,077,360 shares of Common Stock. The difference between the redemption value of the Series C Preferred Stock and the note payable was recorded as additional paid-in capital. The warrants were issued at an exercise price of $0.01 per share and expire on January 20, 2008.

Stock Option Plan

Under the 1996 Incentive Stock Plan (the "Plan"), the Company offers options to purchase shares of common stock to employees and consultants. At December 31, 1997, the Company had reserved 1,572,331 shares of common stock for issuance through the Plan.

The following table summarizes stock option activity and related information:

	Shares	Weighted-Average Exercise Price per Share
Outstanding at December 31, 1996	75,758	$1.00
Granted	--	--
Exercised	--	--
Canceled	--	--
Outstanding at December 31, 1997	75,758	$1.00
Granted--exercise price less than fair value	1,105,038	$0.05
Exercised	--	--
Canceled	--	--
Outstanding at September 9, 1998	1,180,796	$0.11
Options exercisable at December 31, 1997	75,758	$1.00
Options exercisable at September 9, 1998	689,023	$0.16

Additional information with respect to the outstanding options as of September 9, 1998 is as follows:

	Options Outstanding			Options Exercisable	
Prices	Number of Shares	Weighted Average Remaining Contractural Life	Average Exercise Price	Number of Shares	Average Exercise Price
$1.00	75,758	8.0	$1.00	75,758	$1.00
$0.05	1,105,796	10.0	$0.05	1,105,796	$0.05

Compensation expense of $535,445 was recorded for the period ended September 9, 1998 in connection with the grant of stock options, based on the sale price per share of the Company to HBF on that date. No compensation expense was recognized for its stock-based compensation plans for the year ended December 31, 1997.

If compensation expenses had been recognized based on the fair value of the options at their grant date, in accordance with SFAS 123, the results of operations would have been as follows:

	Year ended December 31, 1997	January 1, 1998 Through September 9, 1998
Loss applicable to common stock:		
As reported	$(3,044,297)	$(2,049,734)
Pro forma under FAS 123	(3,044,297)	(2,049,734)

The Company calculated the minimum fair value of each option grant on the date of the grant using the Black-Scholes option pricing model as prescribed by SFAS No. 123 using the following weighted average assumptions:

Risk-free interest rates	4.68%
Expected lives (in years)	0
Dividend yield	0
Expected volatility	0%

As additional options are expected to be granted in future years and the options vest over several years, the above pro forma results are not necessarily indicative of future pro forma results.

EXHIBIT 99.04

HOMESTORE.COM, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

Overview

On February 4, 1999, NetSelect, Inc. ("NSI") was merged with and into Homestore.com, Inc. ("Company" or "Homestore") in a non-substantive share exchange, which was provided for in the agreements governing the formation and operation of RealSelect, Inc. ("RealSelect"), the operating company. The share exchange lacked substance since both the Company and NSI were shell companies for their respective investments in RealSelect, and because the respective underlying ownership interests of the individual investors were unaffected. Accordingly, the non-substantive share exchange was accounted for at historical cost. The share exchange between the Company and NSI is referred to herein as the "Reorganization". This Reorganization was completed solely to simplify the Company's legal structure prior to its initial public offering.

In March 1998, NSI acquired The Enterprise of America, Ltd. (the "Enterprise") for 525,000 shares of common stock with an estimated fair value of $525,000, a $2.2 million note payable, and $705,000 in cash and other acquisition related expenses. The acquisition has been accounted for as a purchase. The acquisition cost has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values. The excess of purchase consideration over net tangible assets acquired of $3.9 million has been allocated to goodwill and is being amortized on a straight- line basis over five years.

In July 1998, NSI acquired MultiSearch Solutions, Inc. ("MultiSearch") for convertible preferred stock equivalent to 1,625,000 shares of common stock with an estimated fair value of approximately $4.8 million, a $3.6 million note payable, and $875,000 in cash and other acquisition related expenses. The acquisition has been accounted for as a purchase. The acquisition cost has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values. The excess of purchase consideration over net tangible assets acquired of $9.4 million has been allocated to goodwill and is being amortized on a straight-line basis over five years.

In June 1999, the Company acquired SpringStreet, Inc. ("SpringStreet") for common stock and convertible preferred stock equivalent to an aggregate of 5,309,058 shares of common stock. The aggregate acquisition cost of $51.7 million was based on terms and preferences of the shares issued in the transaction relative to the value received by the Company in the April 1999 Series G preferred stock financing. The acquisition has been accounted for as a purchase. The acquisition cost has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values. The excess of purchase consideration over net tangible assets acquired of $42.2 million has been allocated to goodwill and is being amortized on a straight- line basis over five years.

In October 1999, the Company acquired Homebuyer's Fair, Inc. and FAS- Hotline, Inc. (collectively referred to as "Homefair" or "Homefair Group") for $35.0 million in cash, a $37.5 million note payable and 250,000 shares of common stock for a total aggregate purchase price of $83.7 million. The acquisition has been accounted for as a purchase. The acquisition cost has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values. The excess of purchase consideration over net tangible assets acquired of $83.3 million has been allocated to goodwill and is being amortized on a straight-line basis over five years.

Homestore's unaudited pro forma condensed combined consolidated balance sheet as of September 30, 1999 gives effect to the acquisition of the Homefair Group as if it had occurred on September 30, 1999, by combining the balance sheet of Homefair as of September 30, 1999 with the Company's balance sheet as of the same date.

Homestore's unaudited pro forma condensed combined consolidated statements of operations for the nine months ended September 30, 1999 and for the year ended December 31, 1998 give effect to the acquisition of the Homefair Group as if it had occurred on January 1, 1998.

Homestore's unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 1999 and for the year ended December 31, 1998 give effect to the Reorganization and the acquisitions of The Enterprise, MultiSearch, and SpringStreet as if they had occurred on January 1, 1998.

Homefair Group's unaudited pro forma condensed combined consolidated statements of operations for the nine months ended September 30, 1999 and for the year ended December 31, 1998 give effect to the acquisitions of National School Reporting Services, Inc., FAS-Hotline, Inc. and The Center For Mobility Resources, Inc. as if they had occurred on January 1, 1998. See page 10 for a further description of Homefair Group's pro forma presentation.

The unaudited pro forma statements of operations are not necessarily indicative of the operating results that would have been achieved had the transactions been in effect as of January 1, 1998 and should not be construed as being representative of future operating results.

The audited historical financial statements of the Company, NSI, The Enterprise, MultiSearch and SpringStreet are included in the Company's prospectus dated August 4, 1999, relating to the Company's initial public offering ("IPO"). The audited historical financial statements of The Homebuyer's Fair, Inc., FAS-Hotline, Inc. and The Center For Mobility Resources, Inc. and National School Services, Inc. are included in this Form 8-K/A. The unaudited pro forma condensed consolidated financial information presented herein should be read in conjunction with those financial statements and related notes.

HOMESTORE.COM, INC.

UNAUDITED PROFORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 1999
(in thousands)

	Homestore	Homefair	Adjustments	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	$ 144,304	$ 1,199	$(35,000)(1)	$ 110,503
Accounts receivable, net	10,320	1,208	(255)(2)	11,273
Current portion of prepaid distribution expense	10,461			10,461
Deferred royalties	3,074			3,074
Other current assets	2,584	272	(89)(3)	2,767
Total current assets	170,743	2,679	(35,344)	138,078
Prepaid distribution expense	5,577			5,577
Property and equipment, net	5,167	544		5,711
Intangible assets, net	58,521	10,026	(10,026)(4) 83,274 (5)	141,795
Other assets	322			322
Total assets	$ 240,330	$13,249	$ 37,904	$ 291,483
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 6,228	$ 259	$ (255)(2)	$ 6,232
Accrued liabilities	19,211	142		19,353
Deferred revenue	13,260			13,260
Current portion of note payable	1,797	12	37,500 (1)	39,309
Other current liabilities		1,398	800 (6)	2,198
Total current liabilities	40,496	1,811	38,045	80,352
Notes payable	1,333	25		1,358
Other non-current liabilities		22		22
	41,829	1,858	38,045	81,732
Stockholders' equity:				
Common stock	69			69
Additional paid-in capital	396,448	12,300	(12,300)(7) 11,250 (1)	407,698
Treasury stock	(13,676)			(13,676)
Notes receivable from stockholders	(12,965)			(12,965)
Deferred stock compensation	(45,657)			(45,657)
Accumulated deficit	(125,718)	(909)	909 (7)	(125,718)
Total stockholders' equity	198,501	11,391	(141)	209,751
Total liabilities and stockholders' equity	$ 240,330	$13,249	$ 37,904	$ 291,483

See accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

HOMESTORE.COM, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1999
(in thousands, except per share amounts)

	Pro Forma Homestore(1)	Pr o Forma Homefair(2)	Adjustments	Pro Forma Combined
Revenues	$ 39,990	$5,467	(151)(2)	$ 45,306
Cost of revenues	15,480	736		16,216
Gross profit	24,510	4,731	(151)	29,090
Operating expenses:				
Sales and marketing (includes $3,421 in non-cash charges for Homestore)	57,756	1,788	(151)(2)	59,393
Product development	4,630	395		5,025
General and administrative	18,422	1,155		19,577
Amortization of intangible assets	8,711	1,810	(1,810)(4) 12,491 (8)	21,202
Stock-based compensation	12,102			12,102
Litigation settlement	8,406			8,406
Total operating expenses	110,027	5,148	10,530	125,705
Loss from operations	(85,517)	(417)	(10,681)	(96,615)
Other income (expense), net	1,313	(89)	(4,634)(9)	(3,410)
Net loss	$(84,204)	$ (506)	(15,315)	$(100,025)
Basic and diluted net loss per share	$ (1.41)			$ (1.67)
Shares used to calculate basic and diluted net loss per share	59,664			59,914 (10)

(1) See page 7 for a full disclosure of Homestore's unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 1999.

(2) See page 11 for a full disclosure of Homefair's unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 1999.

See accompanying Notes Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

HOMESTORE.COM, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998
(in thousands, except per share amounts)

	Pro Forma Homestore(1)	Pro Forma Homefair(2)	Adjustments	Pro Forma Combined
Revenues	$ 19,125	$ 3,998		$ 23,123
Cost of revenues	9,530	603		10,133
Gross profit	9,595	3,395		12,990
Operating expenses:				
Sales and marketing	32,787	1,773		34,560
Product development	5,252	333		5,585
General and administrative	9,241	2,367		11,608
Amortization of intangible assets	11,242	2,415	(2,415)(4) 16,655 (8)	27,897
Stock-based compensation	20,455			20,455
Total operating expenses	78,977	6,888	14,240	100,105
Loss from operations	(69,382)	(3,493)	(14,240)	(87,115)
Other income (expense), net	340	(252)	(6,178)(9)	(6,090)
Net loss	(69,042)	(3,745)	(20,418)	(93,205)
Repurchase of convertible preferred stock	(7,727)			(7,727)
Net loss applicable to common stockholders	$(76,769)	$(3,745)	(20,418)	$(100,932)
Basic and diluted net loss per share applicable to common stockholders	$ (1.79)			$ (2.33)
Shares used to calculate basic and diluted net loss per share applicable to common stockholders	43,001			43,251(10)

(1) See pages 8 for a full disclosure of Homestore's unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 1998.

(2) See pages 12 for a full disclosure of Homestore's unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 1998.

See accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

HOMESTORE.COM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

Pro forma adjustments reflect the following in the unaudited pro forma condensed combined consolidated balance sheet and statements of operations:

(1) Issuance of 250,000 shares of common stock, $35 million in cash and a $37.5 million note payable

(2) Elimination of intercompany accounts receivable, accounts payable, revenues and expenses

(3) Valuation allowance related to Homefair's deferred tax assets

(4) Elimination of Homefair's intangible assets and related amortization

(5) Preliminary allocation of the excess purchase consideration over the fair value of net tangible assets acquired

(6) Estimated acquisition costs

(7) Elimination of Homefair's stockholders' equity, including additional paid-in capital

(8) Amortization of goodwill

(9) Reduction in interest income related to cash paid as part of the purchase price, net of an increase in interest expense related to interest on the note issued in connection with the acquisition

(10) Additional weighted average shares used in the calculation of pro forma basic and diluted net loss per share applicable to common stockholders reflect the issuance of 250,000 shares of common stock as part of the Homefair purchase consideration as if they been issued on January 1, 1998

HOMESTORE.COM, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 1999
(in thousands, except per share amounts)

	Homestore	NSI	Adjustments	Pro Forma Homestore	SpringStreet	Adjustments	Pro Forma
Revenues	$ 35,211	$ 2,433	$ --	$ 37,644	$ 2,346	$ --	$ 39,990
Cost of revenues	13,007	798		13,805	1,675		15,480
Gross profit	22,204	1,635	--	23,839	671	--	24,510
Operating expenses:							
Sales and marketing (includes $3,421 in non-cash charges for Homestore)	48,186	4,064		52,250	5,506		57,756
Product development	3,322	174		3,496	1,134		4,630
General and administrative	12,953	1,053		14,006	4,416		18,422
Amortization of intangible assets	4,313	261		4,574		4,137 (1)	8,711
Stock-based compensation	9,290	569		9,859	2,243		12,102
Litigation settlement	8,406			8,406			8,406
Total operating expenses	86,470	6,121		92,591	13,299	4,137	110,027
Loss from operations	(64,266)	(4,486)		(68,752)	(12,628)	(4,137)	(85,517)
Other income (expense), net	1,274	(5)		1,269	44		1,313
Net loss	(62,992)	(4,491)		(67,483)	(12,584)	(4,137)	(84,204)
Accretion of redemption value and dividends on convertible-preferred stock	(1,846)	(207)	2,053 (2)				
Net loss applicable to common stockholders	$(64,838)	$(4,698)	$2,053	$(67,483)	$(12,584)	$(4,137)	$(84,204)
Historical basic and diluted net loss per share applicable to common stockholders	$ (2.06)						
Shares used in the calculation of historical basic and diluted net loss per share applicable to common stockholders	31,421						
Pro forma basic and diluted net loss per share applicable to common stockholders							$ (1.41)
Shares used in the calculation of pro forma basic and diluted net loss per share applicable to common stockholders							59,664 (3)

See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

HOMESTORE.COM, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998
(in thousands, except per share amounts)

	Homestore	NSI	Adjustments	Pro Forma Homestore	Enterprise	MultiSearch	SpringStreet	Adjustments	Pro Forma
Revenues	$ --	$ 15,003	$ --	$ 15,003	$969	$2,054	$ 1,099	$ --	$ 19,125
Cost of revenues		7,338		7,338	524	947	721		9,530
Gross profit	--	7,665	--	7,665	445	1,107	378	--	9,595
Operating expenses:									
Sales and marketing		25,560		25,560	174	544	6,509		32,787
Product development		4,139		4,139		24	1,089		5,252
General and administrative	3	6,929		6,932	274	457	1,578		9,241
Amortization of intangible assets		1,893		1,893				9,349 (1)	11,242
Stock-based compensation		20,455		20,455					20,455
Total operating expenses	3	58,976		58,979	448	1,025	9,176	9,349	78,977
Loss from operations	(3)	(51,311)		(51,314)	(3)	82	(8,798)	(9,349)	(69,382)
Other income (expense), net		343		343	(32)	(24)	207	(154)(4)	340
Net loss	(3)	(50,968)		(50,971)	(35)	58	(8,591)	(9,503)	(69,042)
Accretion of redemption value and dividends on convertible preferred stock		(1,659)	1,659(2)	--					--
Repurchase of convertible preferred stock		(7,727)		(7,727)					(7,727)
Net loss applicable to common stockholders	$ (3)	$(60,354)	$1,659	$(58,698)	$(35)	$ 58	$(8,591)	$(9,503)	$(76,769)
Historical basic and diluted net loss per share applicable to common stockholders	$ --								
Shares used in the calculation of historical basic and diluted net loss per share applicable to common stockholders	9,173								
Pro forma basic and diluted net loss per share applicable to common stockholders									$ (1.79)
Shares used in the calculation of pro forma basic and diluted net loss per share applicable to common stockholders									43,001 (3)

See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Pro forma adjustments reflect the following in the unaudited pro forma condensed consolidated statements of operations:

(1) Amortization of goodwill in connection with the following acquisitions:

	Nine months ended September 30, 1999	Year ended December 31, 1998
Enterprise	$ --	$ 188
MultiSearch	--	934
SpringStreet	4,137	8,227

(2) Elimination of the accretion of redemption value and dividends on convertible preferred stock resulting from the assumed conversion of the Company's preferred stock into common stock in connection with the IPO.

(3) Additional weighted average shares used in the calculation of pro forma basic and diluted net loss per share applicable to common stockholders reflect the following, as if they been issued as of January 1, 1998, except for preferred stock that was not issued in connection with an acquisition. For this preferred stock, the weighted average shares reflect the preferred stock as if it had been issued as of January 1, 1998, or the date of issuance, if later:

	Nine months ended September 30, 1999	Year ended December 31, 1998
Enterprise acquisition	--	525
MultiSearch acquisition	--	1,625
SpringStreet acquisition	4,587	4,587
NSI Reorganization	2,080	5,823
Conversion of preferred stock in connection with IPO	17,659	17,351
Conversion of NAR's RealSelect shares into Homestore.com shares	3,917	3,917

(4) Reduction in interest income related to cash paid for The Enterprise and MultiSearch acquisitions, net of an increase in interest expense related to interest imputed on the non-interest bearing notes issued in connection with the acquisitions of The Enterprise ($39,000) and MultiSearch ($97,000) from January 1, 1998 to the respective acquisition dates. The notes have been discounted at a discount rate of 10%.

HOMEFAIR GROUP

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

Overview

On September 9, 1998, Homefair acquired National School Reporting Services, Inc. ("NSRS") for $6.0 million in cash and other acquisition related expenses. The acquisition was accounted for as a purchase. The acquisition cost has been allocated to the assets acquired and liabilities assumed based on their respective fair values. The excess of purchase consideration over net tangible assets acquired of $7.2 million is being amortized on a straight-line basis over 5 years.

On April 1, 1999, Homefair acquired FAS-Hotline, Inc. and The Center For Mobility Resources, Inc. (collectively referred to as "FAS") for $4.0 million in cash and 225 shares of common stock, with an estimated fair value of $1.3 million, and other acquisition related expenses. The acquisition was accounted for as a purchase. The acquisition cost has been allocated to the assets acquired and liabilities assumed based on their respective fair values. The excess of purchase consideration over net tangible assets acquired of $4.9 million is being amortized on a straight-line basis over 5 years.

On October 31, 1999, Homestore acquired of all Homefair's outstanding shares of common stock, at which time Homefair became a wholly-owned subsidiary of Homestore.

Homefair Group's unaudited pro forma condensed combined consolidated statements of operations for the nine months ended September 30, 1999 and for the year ended December 31, 1998 give effect to the acquisitions of NSRS and FAS as if they had occurred on January 1, 1998.

The unaudited pro forma condensed combined consolidated statements of operations are not necessarily indicative of the operating results that would have been achieved had the transactions been in effect as of January 1, 1998 and should not be construed as being representative of future operating results.

The audited historical financial statements of Homebuyer's Fair, Inc., NSRS and FAS are included elsewhere in this Form 8-K/A. The unaudited pro forma condensed combined consolidated financial information presented herein should be read in conjunction with those financial statements and related notes.

HOMEFAIR GROUP

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1999
(in thousands, except per share amounts)

	Homefair	FAS	Pro Forma Homefair	Adjustments	Pro Forma
Revenues	$5,087	$380	$5,467	$ --	$5,467
Cost of revenues	716	20	736		736
Gross profit	4,371	360	4,731	--	4,731
Operating expenses:					
Sales and marketing	1,600	188	1,788		1,788
Product development	291	104	395		395
General and administrative	1,016	139	1,155		1,155
Amortization of intangible assets	1,567		1,567	243 (1)	1,810
Total operating expenses	4,474	431	4,905	243	5,148
Loss from operations	(103)	(71)	(174)	(243)	(417)
Other expense, net	(606)		(606)	(60)(2) 577 (5)	(89)
Net loss	$ (709)	$(71)	$ (780)	$ 274	$ (506)

See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

HOMEFAIR GROUP

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998
(in thousands, except per share amounts)

	Homefair	FAS	NSRS	Pro Forma Homefair	Adjustments	Pro Forma
Revenues.....	$2,072	$1,311	$ 615	$ 3,998	$ --	$ 3,998
Cost of revenues.....	261	189	153	603		603
Gross profit.....	1,811	1,122	462	3,395	--	3,395
Operating expenses:						
Sales and marketing...	528	610	635	1,773		1,773
Product development...	133	27	173	333		333
General and administrative.....	736	599	1,567	2,902	(535)(3)	2,367
Amortization of intangible assets....	480			480	1,935 (1)	2,415
Total operating expenses.....	1,877	1,236	2,375	5,488	1,400	6,888
Loss from operations....	(66)	(114)	(1,913)	(2,093)	(1,400)	(3,493)
Other expense, net.....	(165)		(10)	(175)	(240)(2) 163 (5)	(252)
Net loss.....	(231)	(114)	(1,923)	(2,268)	(1,477)	(3,745)
Accrued dividends on convertible preferred stock.....			(127)	(127)	127 (4)	
Net loss applicable to common stockholders....	$ (231)	$ (114)	$(2,050)	$(2,395)	$(1,350)	$(3,745)

See accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

HOMEFAIR GROUP

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED

CONSOLIDATED STATEMENT OF OPERATIONS

Pro forma adjustments reflect the following in the unaudited pro forma condensed consolidated statements of operations:

(1) Amortization of goodwill in connection with the following acquisitions:

	Nine months ended September 30, 1999	Year ended December 31, 1998
FAS	$243	$975
NSRS	--	960

(2) Reduction in interest income due to cash paid for FAS and NSRS

(3) Elimination of NSRS's stock-based compensation

(4) Elimination of NSRS's accrued dividends on redeemable convertible preferred stock

(5) Elimination of Homefair's income tax expense

End of Filing

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