

**UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION**

***In re HOMESTORE.COM, INC.  
SECURITIES LITIGATION***

This Document Relates To:

ALL ACTIONS.

) Master File No. 01-CV-11115 MJP (CWx)  
) The Honorable Marsha J. Pechman  
)

) CLASS ACTION  
)

) ***NOTICE OF PENDENCY AND PROPOSED  
PARTIAL SETTLEMENT OF CLASS ACTION***  
)

**NOTICE OF PENDENCY OF CLASS ACTION AND SETTLEMENT AS TO HOMESTORE.COM, INC.**

**TO: ALL PERSONS OR ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF HOMESTORE.COM, INC. ("HOMESTORE" OR "THE COMPANY") DURING THE PERIOD FROM JANUARY 1, 2000 THROUGH DECEMBER 21, 2001 (THE "CLASS PERIOD"):**

***PLEASE READ THIS ENTIRE NOTICE CAREFULLY.  
YOUR RIGHTS MAY BE AFFECTED BY THE LAWSUIT NOW PENDING IN THIS COURT.  
YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE.  
TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE  
POSTMARKED ON OR BEFORE DECEMBER 5, 2003.***

***SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS SET FORTH BELOW IN SECTION XV.***

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Central District of California (the "Court"). The purpose of this Notice is to inform you of the pendency and proposed partial settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the litigation or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this class action litigation.

The proposed settlement creates a fund in the amount of \$13 million in cash (the "Settlement Fund") and will include interest that accrues on the fund prior to distribution. The Settlement Fund will also include 20 million shares of Homestore common stock. Your recovery from this fund will depend on a number of variables, including the number of shares of Homestore common stock you purchased or acquired during the period January 1, 2000 to December 21, 2001, and the timing of your purchases and any sales. In addition to this, the settlement includes significant corporate governance reforms to be instituted by Homestore.

Lead Plaintiff and Homestore do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiff were to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the appropriate economic model for determining the amount by which Homestore common stock was allegedly artificially inflated (if at all) during the Class Period; (2) the amount by which Homestore common stock was allegedly artificially inflated (if at all) during the Class Period; (3) the effect of various market forces influencing the trading price of Homestore common stock at various times during the Class Period; (4) the extent to which external factors, such as general market and industry conditions, influenced the trading price of Homestore common stock at various times during the Class Period; (5) the extent to which the various matters that Lead Plaintiff alleged were materially false or misleading influenced (if at all) the trading price of Homestore common stock at various times during the Class Period; (6) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were omitted influenced (if at all) the trading price of Homestore common stock at various times during the Class Period; and (7) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws.

The Lead Plaintiff believes that the proposed settlement is a good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that Plaintiffs would not have prevailed on any of their claims, in which case the Class would receive nothing. The amount of damages recoverable by the Class was and is challenged by Homestore. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the litigation gone to trial, Homestore would have asserted that all or most of the losses of Class Members were caused by non-actionable market, industry or general economic factors. Homestore would have also asserted that throughout the Class Period the uncertainties and risks associated with the purchase of Homestore common stock were fully and adequately disclosed.

Lead Plaintiff's Counsel has not received any payment for their services in connection to this Litigation on behalf of the Lead Plaintiff and the members of the Class, nor have they been reimbursed for their substantial out-of-pocket expenditures. If the settlement is approved by the Court, counsel for the Plaintiffs will apply to the Court for attorneys' fees not to exceed 10.5% of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$350,000 to be paid from the Settlement Fund pursuant to the fee agreement with Lead Plaintiff herein as approved by the Court. All attorneys' fees and will be paid in cash and stock in the same proportion as received by Lead Plaintiff and members of the Class.

For further information regarding this settlement you may contact Bruce L. Simon or Peter E. Borkon, Cotchett, Pitre, Simon & McCarthy, 840 Malcolm Rd., Suite 200, Burlingame, CA 94010, Telephone: (650) 697-6000.

## **I. NOTICE OF HEARING ON PROPOSED SETTLEMENT**

A settlement hearing will be held on January 16, 2004 at 9:00 a.m. before the Honorable Marsha J. Pechman, United States District Judge, at the United States Courthouse, Western District of Washington, 1010 Fifth Ave., Seattle, Washington (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement consisting of \$13 million in cash and 20 million shares of Homestore common stock should be approved as fair, reasonable, and adequate for members of the Class; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; (3) whether the application by Lead Plaintiff's Counsel for an award of attorneys' fees and expenses should be approved; and (4) whether the Litigation should be dismissed with prejudice as to Homestore. The Court may adjourn or continue the Settlement Hearing without further notice to the Settlement Class.

## **II. DEFINITIONS USED IN THIS NOTICE**

1. "Class" means the Class certified by Court, defined as all Persons (excluding Defendants, any members of their immediate families, any person, firm, trust, corporation, present or former officer, director, or other individual or entity in which any Defendant has a controlling interest or which is affiliated with any of the Defendants, and any legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any excluded party and any Persons or entities who have pled guilty to securities violations with respect to Homestore securities) who purchased or otherwise acquired Homestore.com, Inc. stock from January 1, 2000 through December 21, 2001.
2. "Defendants" means Homestore, PricewaterhouseCoopers LLP, Stuart Wolff and Peter Tafeen.
3. "Dismissed Defendants" means: AOL Time Warner, Eric Keller, David Colburn, Cendant Corporation, L90, Akonix, City Realty, Classmates Online, CornerHardware, GlobeExplorer, Internet Pictures, PromiseMark, RevBox, Dorado Corporation, SmartHome and WizShop.
4. "Related Parties" means each of a Defendants' past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Defendants' family, or any trust of which any Defendant is the settlor or which is for the benefit of any Defendants' family. In addition, with respect to defendant Homestore "Related Parties" includes, without limitation, AOL Time Warner, Eric Keller, David Colburn, Cendant Corporation, L90, Akonix, City Realty, Classmates Online, CornerHardware, GlobeExplorer, Internet Pictures, PromiseMark, RevBox, Dorado Corporation, SmartHome and WizShop.
5. "Settled Claims" means any and all claims, rights, demands, obligations, controversies, debts, damages, losses, causes of action and liabilities of any kind or nature whatsoever in law or equity, including both known and Unknown Claims, suspected or unsuspected, held at any point from the beginning of time to the date of the execution of this Stipulation, arising out of, connected with, or in any way relating to, the acquisition of Homestore common stock or which have been or could have been asserted by any of the Plaintiffs or Class Members in the Action against any of the Released Homestore Parties.
6. "Released Homestore Parties" means Homestore, its present or former assigns, affiliates, administrators, executors, successors, subsidiaries, attorneys, accountants, and auditors (except PricewaterhouseCoopers), experts, parents, predecessors, or related companies, and any of its or their present or former officers and directors, shareholders, employees, agents, or representatives, excluding Stuart Wolff, Peter Tafeen, John Giesecke, Joseph Shew, Sophia Losh, John DeSimone, Jeff Kalina and the Dismissed Defendants.

7. "Settlement Fund" means thirteen million dollars (\$13 million) in cash to be paid by wire transfer to the Escrow Agent pursuant to the Stipulation, plus all interest earned thereon and Twenty (20) million shares of Homestore common stock.
8. "Unknown Claims" means any Settled Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Homestore Parties which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Homestore Parties, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Settled Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of the California Civil Code § 1542, which provides:

***A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.***

The Lead Plaintiff shall expressly and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542. The Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Settled Claims, but Lead Plaintiff shall expressly and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Settled Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

### **III. THE CLASS DEFINITION**

The Class includes: All persons (excluding Defendants, any members of their immediate families, any person, firm, trust, corporation, present or former officer, director, or other individual or entity in which any Defendant has a controlling interest or which is affiliated with any of the Defendants, and any legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any excluded party and any Persons or entities who have pled guilty to securities violations with respect to Homestore securities), who purchased Homestore.com, Inc. Stock from January 1, 2000 through December 21, 2001.

This Notice is to advise you of the pendency and nature of this Class Action and your rights in connection with it.

### **IV. THE LITIGATION**

On and after December 27, 2001, the following actions were filed in the United States District Court for the Central District of California as securities class actions on behalf of purchasers or acquirers of Homestore.com, Inc. common stock during a defined period of time.

(i) ***Simpson v. Homestore, et al.***, Case No. 01-11115, Filed on December 27, 2001; (ii) ***Hirsch v. Homestore, et al.***, Case No. 01-11190, Filed on December 28, 2001; (iii) ***Schmalz v. Homestore, et al.***, Case No. 01-11194, Filed on December 28, 2001; (iv) ***Nesco v. Homestore, et al.***, Case No. 02-00078, Filed on January 4, 2002; (v) ***Katz v. Homestore, et al.***, Case No. 02-00080, Filed on January 4, 2002; (vi) ***Britton v. Homestore, et al.***, Case No. 02-00104, Filed on January 4, 2002; (vii) ***Idoeta v. Homestore.com, et al.***, Case No. 02-00116, Filed on January 4, 2002; (viii) ***Abbamondi, Betancourt v. Homestore, et al.***, Case No. 02-00136, Filed on January 7, 2002; (ix) ***Keeling Greenblat v. Homestore, et al.***, Case No. 02-00137, Filed on January 7, 2002; (x) ***Rosa v. Homestore, et al.***, Case No. 02-00216, Filed on January 8, 2002; (xi) ***Fink v. Homestore, et al.***, Case No. 02-00221, Filed on January 9, 2002; (xii) ***Seegar v. Homestore, et al.***, Case No. 02-00544, Filed on January 18, 2002; (xiii) ***Bienstock v. Homestore, et al.***, Case No. 02-00917, Filed on January 30, 2002; (xiv) ***Krim v. Homestore, et al.***, Case No. 02-01052, Filed on February 4, 2002; (xv) ***Applen v. Homestore, et al.***, Case No. 02-01095, Filed on February 5, 2002; (xvi) ***Berger v. Homestore, et al.***, Case No. 02-01100, Filed on February 5, 2002; (xvii) ***Reitzfeld v. Homestore, et al.***, Case No. 02-01277, Filed on February 11, 2002; (xviii) ***Goldstein v. Homestore, et al.***, Case No. 02-01337, Filed on February 13, 2002; (xix) ***Baratz v. Homestore, et al.***, Case No. 02-01341, Filed on February 13, 2002.

These actions were consolidated for all purposes by an order entered on February 22, 2002. The consolidated actions are referred to herein collectively as the "Litigation."

Lead Plaintiff CalSTRS was appointed by Court Order dated March 25, 2002. Their selection of Lead Counsel, Cotchett, Pitre, Simon & McCarthy, was approved by Court Order on May 30, 2002.

The operative complaint in the Litigation is the First Amended Consolidated Complaint for Violations of Federal Securities Laws (the "FACC"), filed November 15, 2002. The FACC alleges violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder on behalf of a class of purchasers of Homestore common stock during the period January 1, 2000 through December 21, 2001.

#### **V. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT**

Lead Plaintiff believes that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, counsel for the Lead Plaintiff recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Litigation against Homestore through trial and through appeals. Counsel for the Lead Plaintiff also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. Counsel for the Lead Plaintiff also is mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation, as well as Homestore's current financial condition. Counsel for the Lead Plaintiff believes that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, counsel for the Lead Plaintiff has determined that the settlement set forth in the Stipulation is in the best interests of the Lead Plaintiff and the Class.

#### **VI. HOMESTORE'S STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY**

Homestore has denied and continues to deny each and all of the claims and contentions alleged by the Lead Plaintiff in this Litigation. Homestore expressly has denied and continues to deny all charges of wrongdoing or liability against it arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Homestore also has denied and continues to deny, *inter alia*, the allegations that the Lead Plaintiffs or the Class have suffered damage, that the price of Homestore common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Lead Plaintiff or the Class were harmed by the conduct alleged in the Complaint.

Nonetheless, Homestore has concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Homestore also has taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Litigation. Homestore has, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

#### **VII. TERMS OF THE PROPOSED SETTLEMENT**

Homestore has paid or caused to be paid into an escrow account, pursuant to the terms of the Stipulation and Agreement of Settlement dated as of August 12, 2003 (the "Stipulation"), cash in the amount of \$10 million which has been earning and will continue to earn interest for the benefit of the Class. Upon final approval, Homestore will cause an additional \$3 million in cash and 20 million shares of its common stock to the Escrow Agent for the benefit of the Class. In addition to this, the settlement includes significant corporate governance reforms to be instituted by Homestore.

A portion of the settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to counsel for Lead Plaintiff as attorneys' fees and for reimbursement of out-of-pocket expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proof of Claim and Release forms.

#### **VIII. THE RIGHTS OF CLASS MEMBERS**

If you are a Class Member, you may receive the benefit of and you will be bound by the terms of the proposed settlement described in §VII of this Notice, upon approval of it by the Court.

If you are a Class Member, you have the following options:

1. You may file a Proof of Claim and Release as described below. If you choose this option, you will remain a Class Member, you will share in the proceeds of the proposed settlement if your claim is timely and valid and if the proposed settlement is finally approved by the Court, and you will be bound by the Judgment and release described below.
2. If you do not wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. To do so, you must so state in writing no later than December 5, 2003. You must set forth: (a) your name, address and telephone number; (b) the number of shares of Homestore common stock purchased or acquired and the number of shares sold during the Class Period and the dates and prices of such purchase(s), acquisition(s) and/or sale(s); and (c) that you wish to be excluded from the Class. The exclusion request should be addressed as follows:

Claims Administrator  
***In Re Homestore.com, Inc. Securities Litigation***  
c/o Rust Consulting, Inc.  
P.O. Box 1670  
Faribault, MN 55021-1670

**NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS  
ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST.**

If you validly request exclusion from the Class, (a) you will be excluded from the Class, (b) you will not share in the proceeds of the settlement described herein, (c) you will not be bound by any judgment entered in the Litigation, and (d) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely against Homestore based on the matters complained of in the Litigation.

3. If you do not request in writing to be excluded from the Class as set forth in paragraph 2 above, you will be bound by any and all determinations or judgments in the Litigation in connection with the settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Settled Claims against the Released Homestore Parties, whether or not you submit a valid Proof of Claim and Release.
4. You may object to the settlement and/or the application of Lead Plaintiff's counsel for an award of attorneys' fees and reimbursement of expenses in the manner set forth below. The filing of a Proof of Claim and Release by a Class Member does not preclude a Class Member from objecting to the settlement. However, if your objection is rejected you will be bound by the settlement and the Judgment just as if you had not objected.
5. You may do nothing at all. If you choose this option, you will not share in the proceeds of the settlement, but you will be bound by any judgment entered by the Court, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Settled Claims against the Released Homestore Parties.
6. If you are a Class Member, you may, but you are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Lead Plaintiff's Counsel: Cotchett, Pitre, Simon & McCarthy, 840 Malcolm Rd., Suite 200, Burlingame, CA 94010.

## ***IX. PLAN OF ALLOCATION***

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim and Release forms ("Authorized Claimants") under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Settlement Fund only if you have a net loss on all transactions in Homestore common stock during the Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Plaintiff's Counsel has consulted with their damage consultants and the Plan of Allocation reflects an assessment of the damages that they believe could have been recovered had Plaintiffs prevailed at trial.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimants's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement

Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

A claim will be calculated as follows:

For shares of Homestore common stock that were purchased or acquired from January 1, 2000 through December 21, 2001;

- a. Price inflation per share of common stock during the Class Period would be based on market and industry-adjusted percentage declines in the price of Homestore common stock on November 2, 2001, and January 2, 2002. The inflation per share would be further adjusted on a pro-rated basis according to the amounts Homestore's financial statements were restated. Changes in price inflation occurred on the following dates: October 20, 2000, January 26, 2001, April 26, 2001, July 26, 2001 and October 3, 2001. (These dates correspond to the days Homestore's earnings reports or changes in guidance were originally released, or in the case of aftermarket announcements, the next trading day.)
- b. Inflation as a percentage of share price during the Class Period is calculated as follows:
  - From January 2, 2000 through October 19, 2000: 3.6%
  - From October 20, 2000 through January 25, 2001: 7.1%
  - From January 26, 2001 through April 25, 2001: 17.8%
  - From April 26, 2001 through July 25, 2001: 35.7%
  - From July 26, 2001 through October 2, 2001: 57.1%
  - From October 3, 2001 through November 1, 2001: 71.3%
  - From November 2, 2001 through December 21, 2001: 36.7%
- c. Net dollar proceeds per share would be allocated as follows:
  - i) Multiply the above percentage inflation applicable to the share purchase date by the share purchase price paid;
  - ii) If the share was retained (not sold) after December 21, 2001, the net dollar proceeds are the amount calculated per (i) above;
  - iii) If the share was sold on or before December 21, 2001, multiply the above percentage inflation applicable to the share sale date by the sale price, and subtract that amount from the dollar value calculated per (i) above. The resulting amount is the net dollar proceeds;
  - iv) If the total amount calculated for all of one Class Member's transactions is negative, the net dollar proceeds equal zero.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds. Adjustments to the amount recovered by a claimant could occur based on the amount of claims made.

Payment Pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Authorized Claimant shall have any claim against Lead Plaintiff's Counsel or any claims administrator or Homestore or other agent designated by Lead Plaintiff's Counsel or Homestore or Homestore's counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim and Release shall be barred from participating in distributions from the Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

## ***X PARTICIPATION IN THE SETTLEMENT***

If you fall within the definition of the Class, you will be bound by any judgment entered with respect to the settlement in the Litigation whether or not you file a Proof of Claim and Release. If you choose, you may enter an appearance individually or through your own counsel at your own expense.

***TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE.*** The Proof of Claim and Release must be postmarked on or before December 5, 2003, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim and Release, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

**XI. DISMISSAL AND RELEASES**

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice with regard to Homestore ("Judgment"). The Judgment will dismiss the Settled Claims with prejudice as to the Released Homestore Parties. The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Settled Claims (to the extent members of the Class have such claims) against all Released Homestore Parties and that the Released Homestore Parties shall be deemed to have released and discharged all Class Members and counsel to the Lead Plaintiffs from all claims arising out of the prosecution and settlement of the Litigation or the Settled Claims.

**XII. APPLICATION FOR FEES AND EXPENSES**

At the Settlement Hearing, counsel for Lead Plaintiff will request the Court to award attorneys' fees not to exceed 10.5% of the Settlement Fund, plus reimbursement of the expenses, not to exceed \$350,000, which were advanced in connection with the Litigation, plus interest thereon. Such sums as may be approved by the Court will be paid from the Settlement Fund and will be comprised of cash and common stock pursuant to the fee agreement entered into between Lead Plaintiff and Lead Counsel. Class Members are not personally liable for any such fees or expenses.

To date, Lead Plaintiff's Counsel has not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiff and members of the Class, nor have counsel been reimbursed for their substantial out-of-pocket expenses. The fee requested by Lead Plaintiff's Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. The fee requested is well within the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigation of this type.

**XIII. CONDITIONS FOR SETTLEMENT**

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of June 17, 2003.

**XIV. THE RIGHT TO BE HEARD AT THE HEARING**

Any Class Member who objects to any aspect of the settlement, the Plan of Allocation, or the application for attorneys' fees and expenses, may appear and be heard at the Settlement Hearing. Any such Person must submit a written notice of objection, received on or before December 5, 2003, to each of the following:

***CLERK OF THE COURT UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA***

312 Spring St., Rm G-8  
Los Angeles, CA 90012

***Lead Counsel for Plaintiffs  
COTCHETT, PITRE, SIMON & MCCARTHY***

Peter E. Borkon  
840 Malcolm Rd., Suite 200  
Burlingame, CA 94010

***Counsel for Homestore  
O'MELVENY & MYERS LLP***

Robert H. Vanderet  
400 South Hope Street  
Los Angeles, CA 90071

The notice of objection must demonstrate the objecting Persons' membership in the Class, including the number of Homestore shares purchased, acquired and sold during the Class Period, and contain a statement of reasons for objection. Only members of the Class who have submitted written notices in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

**XV. SPECIAL NOTICE TO BANKS, BROKERS AND OTHER NOMINEES**

If you were a nominee for any beneficial owner of Homestore common stock (securities) during the Class Period, then, within ten (10) days after you receive this Notice, you must either: (a) provide the Claims Administrator with the names and addresses of such beneficial owners, ***preferably on computer-generated mailing labels or, if there are more than 2,000, on a 3½" diskette, CD-ROM or ZIP/JAZ media***, or, in the alternative, (b) send a copy of the Notice to all beneficial owners by first-class mail and provide the Claims Administrator with written confirmation of having done so. Additional copies of the Notice may be requested in writing from the Claims Administrator. All correspondence should be addressed as follows:

Claims Administrator  
***In Re Homestore.com, Inc. Securities Litigation***  
c/o Rust Consulting, Inc.  
P.O. Box 1670  
Faribault, MN 55021-1670

You are entitled to reimbursement of any reasonable expenses actually incurred in connection with the foregoing, upon submission of a request and the appropriate supporting documentation to the Claims Administrator.

**XVI. EXAMINATION OF PAPERS**

This Notice contains only a summary of the nature and history of the Class Action. For more detailed information, reference is made to the pleadings and orders of the Court. Pleadings, papers filed in this action, and orders of the Court are available for inspection during normal business hours at the Clerk's Office of the United States District Court for the Central District of California, Los Angeles Division, 312 N. Spring Street, Los Angeles, CA 90012.

If you have any questions about the settlement of the Litigation, you may contact Lead Plaintiff's Counsel by writing to:

Bruce L. Simon / Peter E. Borkon  
***COTCHETT, PITRE, SIMON & McCARTHY***  
San Francisco Airport Office Center  
840 Malcolm Road, Suite 200  
Burlingame, California 94010  
Telephone: (650) 697-6000  
Facsimile: (650) 697-0577

PLEASE DO NOT TELEPHONE OR MAIL ANY INQUIRIES TO THE COURT.

BY ORDER OF THE COURT:

Dated October 8, 2003

/s/  
\_\_\_\_\_  
MARSHA J. PECHMAN  
UNITED STATES DISTRICT JUDGE