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HOMESTORE COM INC  
Form 8-K/A  
May 24, 2002

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K/A

Current Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):  
March 19, 2002

HOMESTORE, INC.

-----  
(Exact name of registrant as specified in its charter)

|   |                             |                                      |
|---|-----------------------------|--------------------------------------|
| Delaware  | 000-26659                   | 95-4438337                           |
| -----   | -----                       | -----                                |
| (State or other jurisdiction<br>of incorporation) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

30700 Russell Ranch Road  
Westlake Village, California 91362

(Address of Principal Executive Offices)  
(Zip Code)

Registrant's telephone number, including area code: (805) 557-2300

Not Applicable

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(Former name or former address, if changed since last report)

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This amendment to the Current Report on Form 8-K originally dated March 19, 2002, is being filed in order to include disclosure related to the commencement of the transaction and provide the unaudited pro forma financial information listed below.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Pro forma financial information.

The following unaudited pro forma financial information is being filed herewith:

Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2002.

Unaudited Pro Forma Consolidated Statements of Operations for the three months ended March 31, 2002.

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Unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 2001.

Notes to the Unaudited Pro Forma Consolidated Financial Information.

Item 7(a). PRO FORMA FINANCIAL INFORMATION

HOMESTORE, INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Overview

In March 2002, Homestore, Inc. ("Homestore or the "Company") entered into a definitive agreement to sell its ConsumerInfo.com division, which provides online consumer credit reporting and monitoring services, to Experian for \$130 million in cash of which \$10 million has been placed in escrow pursuant to the Stock Purchase Agreement dated as of March 16, 2002 by and between Experian Holdings, Inc. The Company has accounted for this division as a discontinued operation in accordance with SFAS No. 144. This division was acquired in August 2001. On April 3, 2002 Homestore completed the sale. The estimated gain, calculated based upon the net proceeds, on the sale of this division is approximately \$10.0 million.

The unaudited pro forma consolidated balance sheet as of March 31, 2002, gives effect to sale as if it had occurred on January 1, 2002 and removes the assets sold and liabilities assumed of its ConsumerInfo.com division.

The unaudited pro forma consolidated statements of operations for the year ended December 31, 2001, and the three months ended March 31, 2002, give effect to the sale as if it had occurred at the beginning of each period presented. The unaudited pro forma consolidated statements of operations were prepared based on the audited consolidated statement of operations for the year ended December 31, 2001, and the unaudited consolidated statement of operations for the three months ended March 31, 2002.

The unaudited pro forma consolidated financial information is based on estimates and assumptions. These estimates and assumptions have been made solely for purposes of developing this pro forma information. Unaudited pro forma consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the consolidated financial position or results of operations of future periods or the results that actually would have been realized had the division been sold during this period. This unaudited pro forma consolidated financial information is based upon the respective historical consolidated financial statements of Homestore.

Homestore, Inc.  
Unaudited Pro Forma Consolidated Balance Sheet  
As of March 31, 2002  
(in thousands)

|        | Homestore | ConsumerInfo.com<br>Division (4) | Adjustmen |
|--------|-----------|----------------------------------|-----------|
|        | -----     | -----                            | -----     |
| Assets |           |                                  |           |

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|   |             |            |          |
|---|-------------|------------|----------|
| Current assets:                                 |             |            |          |
| Cash and cash equivalents                       | \$ 36,216   | \$ 2,000   | \$ 62,0  |
| Marketable equity security                      | 696         | -          |          |
| Accounts receivable, net                        | 32,144      | -          |          |
| Current portion of prepaid distribution expense | 39,207      | -          |          |
| Other current assets                            | 44,373      | 13,086     |          |
|   | -----       | -----      | -----    |
| Total current assets                            | 152,636     | 15,086     | 62,0     |
| Prepaid distribution expense                    | 32,123      | -          |          |
| Property and equipment, net                     | 41,270      | 810        |          |
| Goodwill, net                                   | 110,439     | 96,388     |          |
| Intangible assets, net                          | 130,258     | 25,847     |          |
| Restricted cash                                 | 90,342      | -          | 58,0     |
| Other long-term assets                          | 12,692      | -          |          |
|   | -----       | -----      | -----    |
| Total assets                                    | \$ 569,760  | \$ 138,131 | \$ 120,0 |
|   | =====       | =====      | =====    |
| Liabilities and Stockholders' Equity            |             |            |          |
| Current liabilities:                            |             |            |          |
| Accounts payable                                | \$ 9,935    | \$ 3,963   | \$       |
| Accrued liabilities                             | 92,614      | 4,476      | 5,0      |
| Deferred revenue                                | 70,702      | 24,304     |          |
| Deferred revenue from related parties           | 16,543      | -          |          |
|   | -----       | -----      | -----    |
| Total current liabilities                       | 189,794     | 32,743     | 5,0      |
| Distribution obligation                         | 208,364     | -          |          |
| Deferred revenue from related parties           | 7,940       | -          |          |
| Other non-current liabilities                   | 237         | -          |          |
|   | -----       | -----      | -----    |
| Total liabilities                               | 406,335     | 32,743     | 5,0      |
|   | -----       | -----      | -----    |
| Stockholders' equity:                           |             |            |          |
| Convertible preferred stock                     | -           | -          |          |
| Common stock                                    | 117         | -          |          |
| Additional paid-in capital                      | 1,991,735   | -          |          |
| Treasury stock                                  | (18,062)    | -          |          |
| Notes receivable from stockholders              | (223)       | -          |          |
| Deferred stock-based charges                    | (6,992)     | -          |          |
| Accumulated other comprehensive income          | (966)       | -          |          |
| Accumulated deficit                             | (1,802,184) | -          | 9,6      |
|   | -----       | -----      | -----    |
| Total stockholders' equity                      | 163,425     | -          | 9,6      |
|   | -----       | -----      | -----    |
| Total liabilities and stockholders' equity      | \$ 569,760  | \$ 32,743  | \$ 14,6  |
|   | =====       | =====      | =====    |

See Notes to Unaudited Pro Forma Consolidated Financial Information.

Homestore, Inc.  
 Unaudited Proforma Consolidated Statements of Operations  
 (in thousands, except per share amounts)

For the Three Months Ended Ma

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|   | Homestore   | ConsumerInfo.com<br>Division(5) |
|---|-------------|---------------------------------|
|   | -----       | -----                           |
| Revenue   | \$ 82,686   | \$ 19,519                       |
| Revenue from related parties                                  | 10,949      | -                               |
|   | -----       | -----                           |
| Total revenue   | 93,635      | 19,519                          |
| Cost of revenues  | 26,290      | 4,090                           |
|   | -----       | -----                           |
| Gross profit  | 67,345      | 15,429                          |
|   | -----       | -----                           |
| Operating expenses:   |             |                                 |
| Sales and marketing   | 57,191      | 9,314                           |
| Product and website development                               | 8,164       | -                               |
| General and administrative                                    | 27,950      | 2,810                           |
| Amortization of goodwill and intangible assets                | 10,851      | 1,488                           |
| Acquisition and restructuring charges                         | 1,826       | 25                              |
|   | -----       | -----                           |
| Total operating expenses                                      | 105,982     | 13,637                          |
|   | -----       | -----                           |
| (Loss) income from operations                                 | (38,637)    | 1,792                           |
| Interest income, net  | 539         | 0                               |
| Other income/(expense), net                                   | 3,289       | (946)                           |
|   | -----       | -----                           |
| Net (loss) income   | \$ (34,809) | \$ 846                          |
|   | =====       | =====                           |
| Basic and diluted net loss per share                          | \$ (0.29)   |                                 |
|   | =====       |                                 |
| Shares used to calculate basic and diluted net loss per share | 117,565     |                                 |
|   | =====       |                                 |

See Notes to Unaudited Proforma Consolidated Financial Information

Homestore, Inc.  
Unaudited Pro Forma Consolidated Statements of Operations  
(in thousands, except per share amounts)

For the Twelve Months Ended December 31, 2012

|                                 | Homestore  | ConsumerInfo.com<br>Division(6) | Pro Forma |
|---------------------------------|------------|---------------------------------|-----------|
|                                 | -----      | -----                           | -----     |
| Revenue                         | \$ 286,759 | \$ 21,323                       | \$ 26,323 |
| Revenue from related parties    | 38,346     | -                               | 3,323     |
|                                 | -----      | -----                           | -----     |
| Total revenue                   | 325,105    | 21,323                          | 30,323    |
| Cost of revenues                | 118,101    | 4,544                           | 11,323    |
|                                 | -----      | -----                           | -----     |
| Gross profit                    | 207,004    | 16,779                          | 19,323    |
|                                 | -----      | -----                           | -----     |
| Operating expenses:             |            |                                 |           |
| Sales and marketing             | 249,853    | 7,476                           | 24,323    |
| Product and website development | 36,734     | 950                             | 3,323     |

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|  |                |          |          |
|--|----------------|----------|----------|
| General and administrative                                       | 175,260        | 836      | 17       |
| Amortization of intangible assets                                | 201,358        | 2,069    | 19       |
| Asset impairment charge  | 925,094        | 476      | 92       |
| Acquisition and restructuring charges                            | 50,503         | 243      | 5        |
|  | -----          | -----    | -----    |
| Total operating expenses   | 1,638,802      | 12,050   | 1,62     |
|  | -----          | -----    | -----    |
| (Loss) income from operations                                    | (1,431,798)    | 4,729    | (1,43    |
| Interest income, net   | 10,943         | 0        | 1        |
| Other (expense), net   | (44,734)       | -        | (4       |
|  | -----          | -----    | -----    |
| Net (loss) income  | \$ (1,465,589) | \$ 4,729 | \$ (1,47 |
|  | =====          | =====    | =====    |
|  |                |          |          |
| Basic and diluted net loss per share                             | \$ (13.64)     |          | \$       |
|  | =====          |          | =====    |
|  |                |          |          |
| Shares used to calculate basic and diluted net loss<br>per share | 107,433        |          | 10       |
|  | =====          |          | =====    |
|  |                |          |          |
| Supplemental Pro Forma Information:(7)                           |                |          |          |
| Reported net loss  | \$ (1,465,589) | \$ 4,729 | \$ (1,47 |
| add back goodwill amortization (net of tax)                      | 138,029        | -        | 13       |
|  | -----          | -----    | -----    |
| Adjusted net loss  | (1,327,560)    | 4,729    | (1,33    |
|  | -----          | -----    | -----    |
| Reported net loss per share<br>Basic and diluted                 | \$ (13.64)     |          | \$ (     |
|  | =====          |          | =====    |
|  |                |          |          |
| Adjusted net loss per share<br>Basic and diluted                 | \$ (12.36)     |          | \$ (     |
|  | =====          |          | =====    |
|  |                |          |          |
| Weighted average shares  | 107,433        |          | 10       |
|  | =====          |          | =====    |

See Notes to Unaudited Pro Forma Consolidated Financial Information.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED  
FINANCIAL INFORMATION

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

1. Amount represents cash received as proceeds from the sale of the ConsumerInfo division as follows (in millions):

|                   |       |
|-------------------|-------|
| Unrestricted cash | \$ 62 |
| Restricted cash   | 58    |

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|                        |       |
|------------------------|-------|
| Net cash received      | 120   |
| Amounts held in escrow | 10    |
| Gross purchase price   | \$130 |

In April 2002, the Company closed the sale of the ConsumerInfo.com division for \$130 million in cash to Experian Holdings, Inc. The Company received proceeds of approximately \$120 million net of \$10 million placed in escrow pursuant to the Stock Purchase Agreement dated as of March 16, 2002 by and between Experian Holdings, Inc. and Homestore, Inc. On March 26, 2002, MemberWorks Incorporated, one of the former owners of iPlace, parent company of our ConsumerInfo.com division, obtained a court order requiring the company to set aside \$58 million of the purchase price against a potential claim MemberWorks has against the Company.

2. Amount represents the accrual of transaction fees associated with the sale of the ConsumerInfo.com Division.
3. Amount represents the estimated gain on the disposal of the ConsumerInfo.com Division.
4. Represents the removal of the assets accrued acquired and liabilities assumed of the ConsumerInfo.com Division.
5. Represents the removal of the results of operations of the ConsumerInfo.com division for the three months ended March 31, 2002.
6. Represents the removal of the results of operations of the ConsumerInfo.com division for the period of August 24, 2001, (date of acquisition) through December 31, 2001.
7. The table reconciles the reported net loss for the year ended December 31, 2001 to its adjusted balance which excludes previously reported goodwill amortization expense, which is no longer recorded under the provisions of SFAS No. 142 (amounts in thousands).

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, INC

Date: May 24, 2002

By: /s/ Lewis R. Belote, III

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Lewis R. Belote, III

Chief Financial Officer