

HOMESTORE, INC.
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

I. Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Homestore, Inc. (the “Company”) is to assist the Board in fulfilling its statutory and fiduciary oversight responsibilities relating to the Company’s financial accounting, reporting and controls. In particular, the Committee’s purpose is to assist Board oversight of (1) the integrity of the Company’s financial statements, (2) the Company’s compliance with legal and regulatory requirements, (3) the independent auditors’ qualifications and independence and (4) the performance of the Company’s internal audit staff and independent auditors.

As such, the Committee shall have the following primary responsibilities: (a) to independently and objectively monitor the periodic reporting of the Company’s financial condition and results of operations; (b) to monitor reviews of the adequacy of the accounting and financial reporting processes and systems of internal control conducted by the Company’s independent auditors and financial and senior management; (c) to review and evaluate the independence and performance of the Company’s independent auditors; (d) to retain and manage the relationship with the Company’s independent auditors; and (e) to facilitate communication among the Company’s independent auditors, internal auditors, management and the Board, within the scope of this Charter of the Audit Committee of the Board of Directors (the “Charter”) and consistent with the Certificate of Incorporation and Bylaws of the Company, as the Committee deems necessary or appropriate. The Committee will fulfill these functions primarily by carrying out the activities enumerated in Part IV of this Charter. In order to serve these functions, the Committee shall have unrestricted access to Company personnel (including its legal and financial advisors) and documents and shall have authority to direct and supervise an investigation into any matters within the scope of its duties, including the power to retain outside counsel or other advisors in connection with any such investigation.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete, accurate and prepared in accordance with generally accepted accounting principles or to certify the Company’s financial statements. Those processes and determinations are the responsibility of management and/or the Company’s independent auditors. Similarly, it is not the duty of the Committee to conduct investigations or to assure the compliance of the Company’s policies and procedures with applicable laws and regulations.

II. Membership

All members of the Committee will be appointed by the Board based on the recommendation of the Company’s Governance and Nominating Committee. Further, all Committee members shall be members of, and serve at the discretion of, the Board. Unless a chairperson (“Chairperson”) is appointed by the full Board, the members of the Committee may designate a Chairperson by majority vote of the Committee membership. The Board may at any time remove one or more directors as members of the Committee and may fill any vacancy on the Committee.

The Committee shall consist of at least three, but no more than five members, with the exact number being determined by the Board. No member of the Committee shall be an officer, employee or consultant of the Company or any subsidiary or have any other relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Committee member. Each member of the Committee shall be “independent” as defined by applicable law, SEC rules and regulations, and the rules of the NASD, each as they may be interpreted and amended from time to time, as well as other legal requirements applicable to the Company (“Applicable Law, Rules and Regulations”), except as otherwise permitted by Applicable Law, Rules and Regulations and as determined by the Board’s independence review process. Each member of the Committee shall have the ability to read and understand fundamental financial statements and a working familiarity with basic fi-

nance and accounting principles at the time he or she joins the Committee, and at least one member shall have met the requirements of an “audit committee financial expert” as required by Applicable Law, Rules and Regulations. No member of the Committee shall have been a partner or employee of the Company’s independent auditors, or former partner or former employee of such auditors, for a period of three years after that person’s employment with such auditors terminates.

III. Meetings

The Committee shall meet with such frequency, and at such times as its Chairperson, or a majority of the Committee, or the Board, determines or as frequently as required by Applicable Law, Rules and Regulations; provided, however, that the Committee shall meet no less frequently than once per quarter. The Committee may establish rules and procedures for the conduct of its meetings that are consistent with this Charter. A majority of the members of the Committee shall constitute a quorum. When a quorum is present at any meeting, a majority of the Committee members present may take any action or make any recommendation to the Board, except where otherwise required by Applicable Law, Rules and Regulations. Written minutes should be kept of all such meetings of the Committee.

The Committee shall report its activities and recommendations to the Board at the Board’s next scheduled meeting or as otherwise appropriate, including through the preparation of a quarterly written report to the Board summarizing the Committee’s activities, conclusions, and recommendations, which report shall include, but not be limited to, the information required in the Company’s annual proxy statement and/or annual report. The Committee members, or the Chairperson of the Committee on behalf of all of the Committee members, should communicate with management, internal auditors and the independent auditors on a quarterly basis in connection with their review of the Company’s financial statements. The Committee must disclose that (1) each member has met, and continues to meet, the independence and other Committee membership requirements; (2) it has adopted a written charter; and (3) it has annually reviewed and reassessed the adequacy of its charter. The Committee shall disclose in the Company’s proxy statement that the Committee is governed by a charter and include a copy of the charter in the proxy statement at least once every three years.

IV. Responsibilities and Duties

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. These processes are set forth as a guide, with the understanding that the Committee may supplement them as appropriate and may establish other policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities. To these ends, the Committee shall have and may exercise all of the powers and authority of the Board to the extent permitted under the Delaware General Corporation Law.

Oversight of Financial Statements and Disclosure Practices

1. Review the independent auditors’ audit plan and discuss with the independent auditors the Company’s general accounting policies and practices.
2. Discuss with the independent auditors: all critical accounting policies and practices to be used; all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences; and any other matter that generally accepted accounting standards require that the independent auditors should communicate with the Committee.
3. At least quarterly, meet separately with management, the independent auditors, and the internal audit staff (or other personnel responsible for the internal audit function) to review the adequacy and appropriateness of the Company’s accounting and financial reporting processes, systems of internal control (including computerized information system controls and security), the adequacy of the systems of reporting to the Committee by each such group and any recommendations that each such group may have, the fullness and

accuracy of the Company's financial statements, and any other matters that the Committee or any such group believes should be discussed privately with the Committee.

4. Review with the independent auditors and the internal audit staff the completeness of audit coverage, reduction of redundant efforts, and the effective use of audit resources.
5. Determine, as regards to new transactions or events, the independent auditors' reasoning for the appropriateness of the accounting principles and disclosure practices adopted by management.
6. Discuss with management and the independent auditors the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the Company's financial statements.
7. Discuss with management and the independent auditors, as appropriate, the Company's risk assessment and risk management policies, including the Company's major financial risk exposures and steps taken by management to monitor and control such exposures.
8. Determine open years on federal, state and local tax returns and whether there are any significant items in dispute with the Internal Revenue Service or state or local taxing authorities that might result or have resulted in litigation; inquire as to the status of related tax reserves and interest accruals.
9. Review the results of the annual audits of Committee member reimbursements, directors' and officers' expense accounts and management perquisites as prepared by internal audit staff and the independent auditors.
10. Review whether management has sought a second opinion regarding any significant accounting issue and, if so, obtain the rationale for the particular accounting treatment chosen.
11. Review, and discuss with management and the independent auditors, as appropriate, the Company's quarterly and annual financial statements, including any report or opinion of the independent auditors, and earnings press releases (including the Company's use of "pro-forma" or "adjusted" non-GAAP financial information), as well as financial information and earnings guidance provided to analysts and ratings agencies, prior to distribution to the public or filing with the Securities and Exchange Commission.
12. In connection with the Committee's review of the annual financial statements:
 - Receive and review a draft of the financial statements section of the Company's annual report, complete with footnotes, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the report.
 - Discuss with the independent auditors, internal auditors and management the financial statements section, including the results of the independent auditors' audit of the financial statements, and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
 - Discuss any items required to be communicated by the independent auditors in accordance with Statement of Accounting Standards ("SAS") 61, as amended. These discussions should include the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the Company's financial statements, any audit problems or difficulties, including any restrictions on the scope of work or access to required information, and management's response to these matters.
 - Discuss with management and/or the independent auditors any questions or concerns pertaining to the fullness and accuracy of the Company's financial statements and any other matters the Committee believes should be so discussed.
13. In connection with the Committee's review of the quarterly financial statements:

- Receive and review a draft of the financial statements section of the Company's quarterly reports, complete with footnotes, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the reports.
 - Discuss with the independent auditors, internal auditors and management the financial statements section, including the results of the independent auditors' SAS 71 review of the quarterly financial statements, and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
 - Discuss significant issues, events and transactions and any significant changes regarding accounting principles, practices, judgments or estimates with management and the independent auditors, including any problems or difficulties among management and the independent auditors and management's response.
 - Discuss with management and/or the independent auditors any questions or concerns pertaining to the fullness and accuracy of the Company's financial statements and any other matters the Committee believes should be so discussed.
14. Review the Company's disclosure controls and procedures and internal controls and procedures for financial reporting and the certifications required to be made by any officer of the Company in each of the Company's quarterly reports on Form 10-Q and the Company's annual report on Form 10-K.
 15. Review disclosures made to the Committee by the Company's principal executive officer and principal financial officer during their certification process for each Form 10-K and Form 10-Q relating to any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in maintaining the Company's internal controls.
 16. Request a letter from the independent auditors to management concerning any significant weaknesses or breaches in internal controls discovered during their audit. Discuss any comments or recommendations of the independent auditors outlined in their such management letter or in discussions. Review any management response letters to the independent auditors. Approve a schedule for implementing any recommended changes and monitor compliance with that schedule.

Oversight of Independent Auditors

1. With sole authority and responsibility, the Committee shall appoint, retain, compensate and, if necessary, replace the independent auditors. The Committee shall be directly responsible for the evaluation and oversight of the work of the Company's independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; provided, that the Committee shall be prohibited from retaining independent auditors if any member of the Company's senior management was a partner or employee of such auditors within the prior two years. The Board of Directors may approve a waiver of the preceding proviso if (a) the Company acquires a member of senior management who was a partner or employee of a retained independent auditing firm as a result of a future acquisition or (b) if necessary to permit competition for retention by at least two national independent auditing firms. With sole authority, the Committee shall approve all audit engagement fees and terms, which fees and related costs the Company shall pay promptly to the independent auditors in accordance with the Company's normal business practices. The Committee shall pre-approve, including pursuant to established policies and procedures for pre-approval, or have pre-approved by a member of the Committee delegated the authority to grant pre-approvals, any audit or significant permitted non-audit service provided to the Company by the Company's independent auditors and ensure that any such non-audit service be disclosed to stockholders in the appropriate periodic report of the Company. If a member of the Committee pre-approves such service, the decisions of such member shall be presented to the full Committee at its next scheduled meeting. No such services that are prohibited under applicable law shall be approved. The Company shall not be prohibited from retaining the independent auditors to assist in tax matters.

2. Communicate with the Company's independent auditors about the Company's expectations regarding its relationship with the auditors, including the following: (i) the independent auditors' ultimate accountability to report directly to the Committee; and (ii) the ultimate authority and responsibility of the Committee to appoint, retain, compensate, evaluate and, where appropriate, replace the independent auditors.
3. At least annually, make inquiries of management and internal auditor staff regarding the qualification, independence and performance of the independent auditors.
4. At least annually, obtain and review a report by the independent auditors describing: the independent auditors' internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (to assess the independent auditors' independence) all relationships between the independent auditors and the Company.
5. Review and approve processes and procedures to ensure the continuing independence of the Company's independent auditors. These processes shall include obtaining and reviewing, on an annual basis, a letter from the independent auditors describing all relationships between the independent auditors and the Company required to be disclosed by Independence Standards Board Standard No. 1, reviewing the nature and scope of such relationships and requiring discontinuance of any relationships that the Committee believes could compromise the independence of the auditors (including but not limited to requiring audit partner rotation every five years or otherwise in accordance with Applicable Laws, Rules and Regulations and requiring that the independent auditors have no conflicts of interests with the Company), and setting clear Company hiring policies for employees or former employees of the independent auditors, which shall include, among other policies, prohibitions on the hiring of any partner or employee of the Company's independent auditors, or former partner or former employee of such auditors, for a period of three years after that person's employment with such auditors terminates, to serve as a member of management in the finance and accounting department of the Company.

Oversight of Internal Auditors

1. Review the activities of the internal audit department, including the proposed annual audit plan, periodic progress reports on the status of the plan and all concluded internal audits, including summaries of any significant issues raised during the performance of the internal audits.
2. Discuss with the independent auditors and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit function.

Oversight of Compliance with Legal and Regulatory Requirements

1. At least quarterly, meet with the Company's external and internal legal counsel to review the status of any legal or regulatory matters that could have a material impact on the Company's financial statements; inquire as to any related reserves taken with respect thereto.
2. Review all related-party transactions for potential conflict of interest situations on an ongoing basis and approve only those that are the subject of arms length negotiations and have terms that would be no worse than those that could be obtained by negotiating with an outside party. Review all transactions with the National Association of Realtors® and the National Association of Homebuilders with a value in excess of one million dollars.
3. Engage and retain such outside counsel, experts and other advisors as the Committee may deem appropriate or necessary to carry out its duties in its sole discretion. Approve related fees and retention terms, which fees and related costs the Company shall pay promptly to such advisors in accordance with the Company's normal business practices. To the extent that the Committee chooses to retain such advisors to investigate

any circumstances that come to the attention of the Committee related to the risk of financial misstatements or fraud, such advisors shall be persons completely independent of the Company.

4. Determine and approve ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties, which fees and related costs the Company shall pay promptly in accordance with the Company's normal business practices.
5. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
6. Review compliance by directors, officers and employees with the Company's *Code of Conduct and Business Ethics*, including the *Policies and Procedures for Reporting by Attorneys Pursuant to the Sarbanes-Oxley Act Standards of Professional Conduct* addendum thereto.
7. Annually conduct and present to the Board a performance evaluation of the Committee and make recommendations to the Board on such matters within the scope of its functions as may come to its attention and which in its discretion warrant consideration by the Board.
8. Annually prepare a report to the Company's stockholders for inclusion in the Company's annual proxy statement as required by the rules and regulations of the Securities and Exchange Commission as they may be amended from time to time.
9. At least annually review the adequacy of this Charter and recommend any proposed changes to the Board for approval. Include a copy of this Charter as an appendix to the Company's proxy statement at least once every three years as required by the rules and regulations of the Securities and Exchange Commission as they may be amended from time to time.
10. Perform any other activities required by Applicable Law, Rules and Regulations and perform other activities that are consistent with this Charter, the Company's Bylaws and governing laws, as the Committee or the Board deems necessary or appropriate.
11. Implement and enforce, together with the Company's Chief Executive Officer and Chief Financial Officer, a revenue recognition policy at the Company that conforms to all relevant accounting standards, including generally accepted accounting principles in the United States, and that is designed to prevent material misstatements and omissions in the Company's financial statements. Fully apprise all employees of the Company involved in revenue recognition of such revenue recognition policy.

In addition to the indemnification, exculpation and similar rights and provisions contained in the Company's Certificate of Incorporation and Bylaws or in statutory and common law and in addition to applicable insurance, the Committee, and each member of the Committee in his or her capacity as such, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them by (i) officers and other employees of the Company, whom such member believes to be reliable and competent in the matters presented; and (ii) counsel, public accountants or other persons as to matters which the members believe to be within the professional competence of such person.