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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 11, 2011**

Tree.com, Inc.
(Exact name of registrant as specified in charter)

Delaware	**001-34063**	**26-2414818**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

11115 Rushmore Drive, Charlotte, NC	**28277**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(704) 541-5351**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. ***Results of Operations and Financial Condition.***

On November 11, 2011, Tree.com, Inc. (the "Registrant") announced financial results for the third quarter ended September 30, 2011. A copy of the related press release and a corrected transcript of the related teleconference are furnished as Exhibit 99.1 and Exhibit 99.2, respectively.

Item 9.01. ***Financial Statements and Exhibits***.

Exhibit No.	Exhibit Description
99.1	Press Release, dated November 11, 2011, with respect to Registrant's financial results for the third quarter ended September 30, 2011.
99.2	Corrected Transcript of Teleconference dated November 11, 2011, with respect to Registrant's financial results for the third quarter ended September 30, 2011.

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.

Date: November 17, 2011

TREE.COM, INC.

By: /s/ Christopher R. Hayek
Christopher R. Hayek

Senior Vice President and Chief Accounting Officer

EXHIBIT INDEX

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TREE.COM REPORTS THIRD QUARTER 2011 RESULTS

CHARLOTTE, N.C., November 11, 2011 — Tree.com, Inc. (NASDAQ: TREE) today announced for the quarter ended September 30, 2011, net income of $12.6 million, or $1.14 per share, compared to the $17.8 million net loss, or $1.62 per share, in the second quarter 2011. This is an increase from the $1.8 million net income, or $0.16 per share in the third quarter 2010. Contributing to the improvement in the third quarter was a $7.8 million gain on sale from the previously-disclosed sale of the remaining assets of the Real Estate business on September 16, 2011.

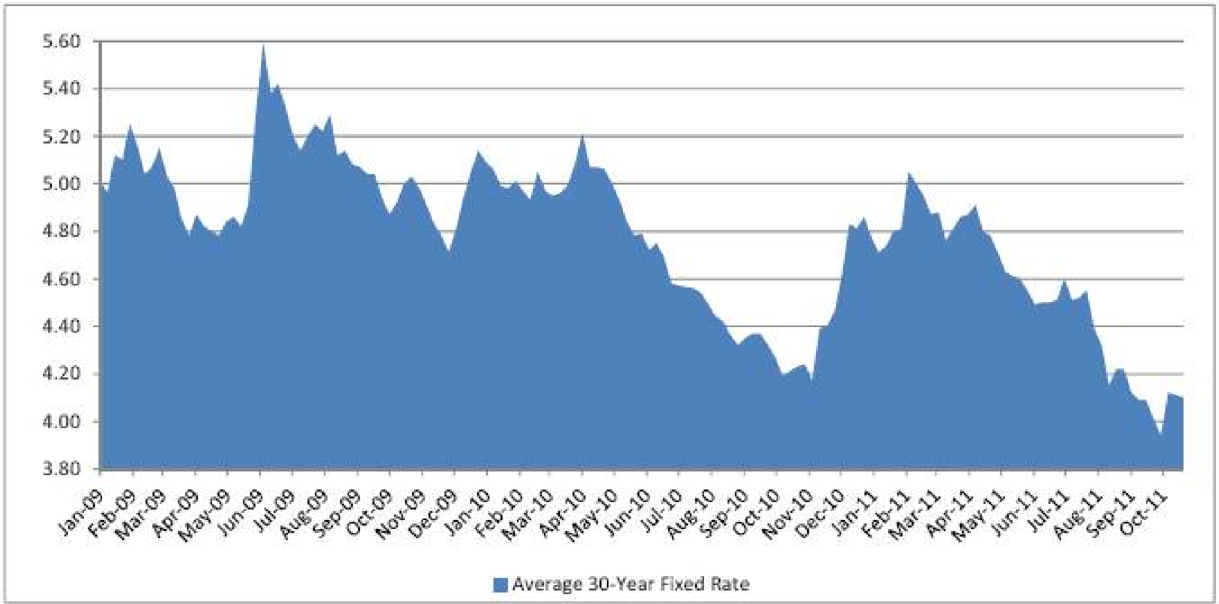
Revenue in the third quarter was $50.7 million, up $7.3 million from the prior quarter and down $2.5 million from the prior year. Third quarter 2011 Adjusted EBITDA was $9.1 million, a $19.6 million improvement from the second quarter 2011 and a $3.5 million improvement from the third quarter 2010.

In the continuing operations, Tree.com reported a net loss of $3.7 million, or $0.33 per share, which is an improvement over the $8.1 million net loss from continuing operations reported in the second quarter 2011 and the $7.5 million net loss from continuing operations in the third quarter 2010. Third quarter 2011 revenue from continuing operations was $13.1 million, down from $16.9 million in the second quarter 2011 and $15.2 million in the third quarter 2010. Third quarter 2011 Adjusted EBITDA from continuing operations was a loss of $0.5 million, a $4.8 million improvement from the second quarter 2011 and a $5.9 million improvement from the third quarter 2010. LendingTree Loans ("LTL") and Real Estate are reported as discontinued operations for all periods presented.

Doug Lebda, Chairman and CEO of Tree.com stated, "We are pleased with our overall performance in the third quarter. The actions taken in Q2 to bring the business to a more profitable and scalable position are paying off, and Adjusted EBITDA from continuing operations improved nearly $5 million quarter over quarter. At LendingTree Loans we felt the benefit of lower interest rates which created an increase in refinance mortgage activity, and as a result LTL revenue increased by more than 40% from Q2."

Tree.com SVP of Financial Planning & Analysis Tamara Kotronis added, "Over the course of the third quarter, mortgage rates continued to drop to historic lows. Market conditions, in addition to increased marketing efficiencies, contributed to a drop in our marketing expense on a continuing operations basis as a percentage of revenue to 65% in the quarter, down from 90% in Q2. Furthermore, general and administrative costs in our continuing operations were 16% lower in Q3 compared to the prior quarter. We continue to have a laser focus on achieving profitability and will push to close the gap to profitability in Q4 in the face of anticipated seasonal headwinds."

Average 30-Year Fixed Mortgage Rate Recent Trends



Source: Freddie Mac: Primary Mortgage Market Survey
Freddie Mac's Primary Mortgage Market Survey consists of the average of 125 lenders' rates who contributed rates to Freddie Mac. The rates are based on 30-year fixed rate mortgage with 20% down and 80% finance over the life of the loan.

Information Regarding Segment Reporting

The Company exited the real estate brokerage business in the first quarter 2011, sold the remaining assets of the Real Estate business in the third quarter of 2011, and has a pending sale of the assets of the LendingTree Loans business to Discover Bank. All of these operations are reported as discontinued operations and prior periods have been recast to conform to this presentation. The Company's continuing operations are now one reportable segment, which represents the previous Exchanges segment.

Tree.com Summary Financial Results
$s in millions (except per share amounts)

	Q3 2011	Q2 2011	Q/Q % Change	Q3 2010	Y/Y % Change
Revenue					
Match Fees	$ 12.4	$ 16.0	(23)%	$ 12.9	(4)%
Closed Loan Fees	$ 0.4	$ 0.5	(28)%	$ 1.7	(77)%
Other	$ 0.3	$ 0.4	(7)%	$ 0.7	(51)%
Revenue from Continuing Ops	**$ 13.1**	**$ 16.9**	**(23)%**	**$ 15.2**	**(14)%**
Revenue from Discontinued Ops	$ 37.6	$ 26.5	42%	$ 38.0	(1)%
Total Revenue	**$ 50.7**	**$ 43.4**	**17%**	**$ 53.2**	**(5)%**
Adjusted EBITDA *					
From Continuing Ops	$ (0.5)	$ (5.3)	90%	$ (6.4)	92%
From Discontinued Ops	$ 9.6	$ (5.2)	NM	$ 12.0	(20)%
Total Adjusted EBITDA	**$ 9.1**	**$ (10.5)**	**NM**	**$ 5.6**	**61%**
EBITDA *					
From Continuing Ops	$ (2.2)	$ (6.5)	67%	$ (6.3)	66%
From Discontinued Ops	$ 9.0	$ (9.1)	NM	$ 10.3	(13)%
Total EBITDA	**$ 6.8**	**$ (15.6)**	**NM**	**$ 4.0**	**72%**
Net Income/(Loss)					
Net Loss from Continuing Ops	$ (3.7)	$ (8.1)	54%	$ (7.5)	51%
Net Income/(Loss) from Discontinued Ops	$ 16.3	$ (9.7)	NM	$ 9.3	74%
Net Income/(Loss)	**$ 12.6**	**$ (17.8)**	**NM**	**$ 1.8**	**593%**
Net Income/(Loss) Per Share	**$ 1.14**	**$ (1.62)**	**NM**	**$ 0.16**	**613%**
Diluted Net Income/(Loss) Per Share	**$ 1.13**	**$ (1.62)**	**NM**	**$ 0.16**	**606%**
From Continuing Operations:					
Net Loss Per Share	**$ (0.33)**	**$ (0.73)**	**55%**	**$ (0.68)**	**51%**
Diluted Net Loss Per Share	**$ (0.33)**	**$ (0.73)**	**55%**	**$ (0.68)**	**51%**
Metric for Continuing Ops:					
Matched requests (000s)	**277.0**	**311.4**	**(11)%**	**282.5**	**(2)%**
Metrics for Discontinued Ops:					
LTL Purchased Loan Requests	**117.2**	**177.3**	**(34)%**	**69.0**	**70%**
LTL Closing - units (000s)	**3.5**	**3.0**	**14%**	**3.3**	**4%**
LTL Closing - units (dollars)	**$ 746.9**	**$ 617.3**	**21%**	**$ 721.9**	**3%**

NM = Not Meaningful
* EBITDA and Adjusted EBITDA are Non-GAAP measures. Please see "Tree.com's Reconciliation of Non-GAAP Measures to GAAP" and "Tree.com's Principles of Financial Reporting" below for more information on Adjusted EBITDA

Information Regarding Q3 Results

Continuing Operations

Third quarter 2011 revenue from continuing operations was down $3.8 million, or 23%, from the second quarter 2011, and down $2.1 million, or 14%, from third quarter 2010. In the mortgage exchanges, revenue was down $2.5 million, or 20%, compared to the second quarter 2011 driven by 18% fewer transmitted loan customers. While the continuing drop in interest rates created additional consumer activity and interest in refinancing, many lenders were at capacity in the quarter. This resulted in fewer lenders per transmitted consumer compared to the second quarter 2011. Non-mortgage transmitted consumer requests were down slightly, showing a 4% decrease from second quarter 2011. Combined, total mortgage and non-mortgage transmitted consumer requests were down 11%.

Looking year over year, revenue from continuing operations was down $2.1 million, or 14% compared to the third quarter 2010, driven by lower mortgage exchange revenue. Total matched loan consumers were up 13% over the third

quarter 2010. However, the average number of lenders per transmitted consumer declined 13%. Also, the Company has seen a year-over-year product shift from refinance mortgage toward purchase mortgage, which generates lower revenue per matched lead than refinance. Purchase as a percentage of total mortgage transmits increased from 41% in the third quarter 2010 to 45% in the third quarter 2011. The decrease in the number of lenders per transmitted consumer and the shift toward purchase mortgage are the primary drivers of the revenue decline compared to the third quarter 2010.

Despite lower revenue, Adjusted EBITDA from continuing operations showed a substantial improvement in the third quarter 2011. Adjusted EBITDA from continuing operations in the third quarter was a loss of $0.5 million, up from the $5.3 million loss in the second quarter 2011 and the $6.4 million loss in the third quarter 2010. In both the quarter-over-quarter and year-over-year comparisons, market conditions highlighted by lower interest rates as well as improved marketing efficiencies contributed to the Company's lower marketing expense. Total Selling and Marketing costs were down $6.8 million, or 44%, from second quarter levels and down $4.5 million, or 35%, from third quarter 2010. Additionally, third quarter 2011 results reflect reductions in fixed costs throughout the enterprise. General and administrative expense in the third quarter 2011 was 16% lower than the second quarter 2011 and 30% lower than the third quarter 2010.

Discontinued Operations

In the third quarter 2011, LendingTree Loans realized the benefit of favorable market conditions, which resulted in an $11.1 million, or 46%, increase in revenue in discontinued operations quarter over quarter. This was driven by an increase in closed units at LTL, up 14% quarter-over-quarter, and higher revenue per closed unit, which was up 28% over second quarter 2011. Looking year-over-year revenue in discontinued operations was down slightly, 1% lower compared to the third quarter 2010, with LTL up $2.3 million on 4% more closed units and Real Estate down $2.7 million reflecting the shutdown of the company-owned brokerage in early 2011.

Third quarter Adjusted EBITDA for discontinued operations was $9.6 million, a $14.7 million improvement over the second quarter 2011. LTL benefitted from lower marketing expense as a result of lower rates and improved marketing efficiencies, which contributed to the quarter-over-quarter Adjusted EBITDA improvement. Compared to the third quarter 2010, Adjusted EBITDA in discontinued operations was $2.4 million lower. Although LTL produced higher revenue compared to the prior year, gross margins were flat due to loan officer compensation regulations that drove a $2.3 million increase in variable compensation costs. Loan officer compensation increased from 20% of total revenue at LTL in the third quarter 2010 to 25% of total revenue in the third quarter 2011. In addition, general and administrative costs in discontinued operations in the third quarter 2011 were $1.2 million, or 16%, higher than the third quarter 2010. This increase was driven largely by the acquisition of Surepoint which was completed in the first quarter 2011, and partially offset by lower real estate related fixed costs after the shutdown of the company owned brokerage operations in early 2011.

As of September 30, 2011, LendingTree Loans had two committed lines of credit totaling $150.0 million of borrowing capacity, plus a $25.0 million uncommitted line. In October, one of the two committed lines of credit was increased by $25.0 million, and LendingTree Loans obtained a third warehouse line for $100.0 million, bringing the total committed borrowing capacity to $275.0 million. The $25.0 million uncommitted line with one of these lenders was terminated on October 31, 2011. Borrowings under the lines of credit are used to fund, and are secured by, consumer residential loans that are held for sale. Loans under these lines of credit are repaid using proceeds from the sales of loans by LendingTree Loans. The loans held for sale and warehouse lines of credit balances as of September 30, 2011, were $185.3 million and $141.9 million, respectively.

In keeping with the Company's previously announced strategy, the Company has now exited the Real Estate business. As previously disclosed, in March 2011 the Company made the decision to discontinue the operations of the

Company's real estate brokerage business. On September 16, 2011, the Company completed the sale of the remaining assets of the Real Estate business for a total sale price of $8.25 million. Going forward, the Company will utilize third-party relationships to continue to monetize real estate traffic generated on the LendingTree site. Discontinued operations for the third quarter 2011 reflect $0.5 million restructuring expense related to the asset sale and the discontinuation of certain contracts.

Liquidity and Capital Resources

As of September 30, 2011, Tree.com had $10.3 million in unrestricted cash and cash equivalents, compared to $34.3 million as of June 30, 2011. During the third quarter the LendingTree Loans utilized an additional $30 million of unrestricted cash for funding loans at LendingTree Loans. These loans were sold in October 2011, and the proceeds were returned to LendingTree Loans as unrestricted cash. LendingTree Loans elected to fund loans with its own cash in order to take advantage of the positive refinance market conditions as it reached borrowing capacity on its warehouse lines. LendingTree Loans has now increased its warehouse lines as discussed above.

During the third quarter and for the nine months of 2011, Tree.com did not purchase any shares under its previously announced $10 million share repurchase program. The program began in February 2010 and has approximately $4.3 million of share repurchase authorization remaining.

Update on Sale of LendingTree Loans Assets

On November 7, 2011, Discover Bank elected to extend the end date upon which either party could terminate the Asset Purchase Agreement by 30 days to December 8, 2011, and paid the required extension payment of $1 million to the Company's HLC, Inc. subsidiary. Discover Bank is permitted up to three additional 30-day extensions in certain circumstances. Discover Bank must pay a $1 million extension fee to HLC, Inc. to exercise each of the second and third extensions and a $2 million extension to exercise the fourth extension. All extension payments, including the one received in November, will be credited against the purchase price due at closing. For a more complete discussion of the closing conditions, end date extension rights and associated fees, termination fees and other provisions of the Asset Purchase Agreement, please see the Company's definitive proxy statement filed with the Securities and Exchange Commission on August 2, 2011.

Conference Call

Tree.com will audio cast its conference call with investors and analysts discussing Tree.com's third quarter financial results and certain other matters described herein on Friday, November 11, 2011 at 11:00 a.m. Eastern Time (ET). The live audio cast is open to the public at http://investor-relations.tree.com/.

Conference call
Dial in #: 877-681-3367
719-325-4815 outside the United States/Canada

To listen to a replay of the call
Toll free #: 888-203-1112
719-457-0820 from outside the United States/Canada
Replay Passcode: 2002428

Replay will be available beginning at 2:00 p.m. Eastern Time on Friday, November 11 until 11:59 p.m. on Friday, December 2, 2011.

QUARTERLY FINANCIALS

TREE.COM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In thousands, except per share amounts)			
Revenue	$ 13,101	$ 15,204	$ 43,951	$ 48,013
Cost of revenue (exclusive of depreciation shown separately below)	1,001	1,346	3,529	3,654
Gross margin	12,100	13,858	40,422	44,359
Operating expenses				
Selling and marketing expense	8,475	12,944	39,246	38,901
General and administrative expense	4,388	6,295	15,059	18,666
Product development	681	805	2,677	2,554
Litigation settlements and contingencies	212	74	5,206	102
Restructuring expense	498	46	990	2,718
Amortization of intangibles	213	307	787	922
Depreciation	1,393	823	3,677	2,297
Asset impairments	—	—	250	—
Total operating expenses	15,860	21,294	67,892	66,160
Operating loss	(3,760)	(7,436)	(27,470)	(21,801)
Other income (expense)				
Interest income	—	—	—	7
Interest expense	(110)	(60)	(266)	(392)
Total other expense, net	(110)	(60)	(266)	(385)
Loss before income taxes	(3,870)	(7,496)	(27,736)	(22,186)
Income tax benefit (provision)	185	(42)	(117)	(850)
Net loss from continuing operations	(3,685)	(7,538)	(27,853)	(23,036)
Gain from sale of discontinued operations, net of tax	7,752	—	7,752	—
Income (loss) from operations of discontinued operations, net of tax	8,531	9,357	(24,615)	17,910
Income (loss) from discontinued operations	16,283	9,357	(16,863)	17,910
Net income (loss) available to common shareholders	$ 12,598	$ 1,819	$ (44,716)	$ (5,126)
Weighted average common shares outstanding	11,037	11,023	10,978	10,993
Weighted average diluted shares outstanding	11,120	11,163	10,978	10,993
Net loss per share from continuing operations				
Basic	$ (0.33)	$ (0.68)	$ (2.54)	$ (2.10)
Diluted	$ (0.33)	$ (0.68)	$ (2.54)	$ (2.10)
Net income (loss) per share available to common shareholders				
Basic	$ 1.14	$ 0.16	$ (4.07)	$ (0.47)
Diluted	$ 1.13	$ 0.16	$ (4.07)	$ (0.47)

TREE.COM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	(unaudited) (In thousands, except par value and share amounts)	
ASSETS:		
Cash and cash equivalents	$ 10,331	$ 68,819
Restricted cash and cash equivalents	12,955	8,155
Accounts receivable, net of allowance of $118 and $131, respectively	5,443	3,564
Prepaid and other current assets	1,038	1,043
Current assets of discontinued operations	203,950	130,701
Total current assets	233,717	212,282
Property and equipment, net	9,191	7,598
Goodwill	3,632	3,632

Intangible assets, net	40,295	41,319
Other non-current assets	241	116
Non-current assets of discontinued operations	10,094	17,855
Total assets	$ 297,170	$ 282,802
LIABILITIES:		
Accounts payable, trade	$ 11,691	$ 6,562
Deferred revenue	216	312
Deferred income taxes	4,221	2,358
Accrued expenses and other current liabilities	19,116	23,881
Current liabilities of discontinued operations	167,565	118,220
Total current liabilities	202,809	151,333
Income taxes payable	59	96
Other long-term liabilities	4,156	3,168
Deferred income taxes	12,201	13,962
Non-current liabilities of discontinued operations	18,797	12,422
Total liabilities	238,022	180,981
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock $.01 par value; authorized 5,000,000 shares; none issued or outstanding	—	—
Common stock $.01 par value; authorized 50,000,000 shares; issued 12,165,992 and 11,893,468 shares, respectively, and outstanding 11,042,731 and 10,770,207 shares, respectively	121	118
Additional paid-in capital	910,877	908,837
Accumulated deficit	(843,318)	(798,602)
Treasury stock 1,123,261 shares	(8,532)	(8,532)
Total shareholders' equity	59,148	101,821
Total liabilities and shareholders' equity	$ 297,170	$ 282,802

TREE.COM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net loss	$ (44,716)	$ (5,126)
Less (income) loss from discontinued operations, net of tax	16,863	(17,910)
Net loss from continuing operations	(27,853)	(23,036)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities attributable to continuing operations:		
Loss on disposal of fixed assets	210	3
Amortization of intangibles	787	922
Depreciation	3,677	2,297
Intangible impairment	250	—
Non-cash compensation expense	2,731	2,423
Non-cash restructuring expense	—	93
Deferred income taxes	101	1,023
Bad debt expense	32	45
Changes in current assets and liabilities:		
Accounts receivable	(1,911)	212
Prepaid and other current assets	(122)	(898)
Accounts payable and other current liabilities	385	(15,658)
Income taxes payable	(58)	(388)
Deferred revenue	(96)	(155)
Other, net	988	3,043
Net cash used in operating activities attributable to continuing operations	(20,879)	(30,074)
Cash flows from investing activities attributable to continuing operations:		
Capital expenditures	(5,480)	(3,743)
Acquisitions	—	(50)
Other, net	(1,488)	2,186
Net cash used in investing activities attributable to continuing operations	(6,968)	(1,607)
Cash flows from financing activities attributable to continuing operations:		
Issuance of common stock, net of withholding taxes	(950)	(575)
Purchase of treasury stock	—	(4,705)
(Increase) decrease in restricted cash	(3,325)	150
Net cash used in financing activities attributable to continuing operations	(4,275)	(5,130)
Total cash used in continuing operations	(32,122)	(36,811)
Net cash used in operating activities attributable to discontinued operations	(58,317)	(52,362)
Net cash used in investing activities attributable to discontinued operations	(9,310)	(1,256)

Net cash provided by financing activities attributable to discontinued operations	41,261	61,630
Total cash provided by (used in) discontinued operations	(26,366)	8,012
Net decrease in cash and cash equivalents	(58,488)	(28,799)
Cash and cash equivalents at beginning of period	68,819	86,093
Cash and cash equivalents at end of period	$ 10,331	$ 57,294

TREE.COM'S RECONCILIATION OF NON-GAAP MEASURES TO GAAP ($ in thousands):

EBITDA and Adjusted EBITDA are Non-GAAP measures. Below is a reconciliation of operating loss to EBITDA and Adjusted EBITDA, and operating loss to net loss. See "Tree.com's Principals of Financial Reporting" for further discussion of the Company's use of these Non-GAAP measures.

	Three Months Ended		
	September 30, 2011	June 30, 2011	September 30, 2010
	(Dollars in thousands)		
Operating loss from continuing operations	$ (3,760)	$ (7,968)	$ (7,436)
Adjustments to reconcile to EBITDA and Adjusted EBITDA:			
Amortization of intangibles	213	267	307
Depreciation	1,393	1,225	823
EBITDA from continuing operations	(2,154)	(6,476)	(6,306)
Restructuring expense	498	398	46
Asset impairments	—	250	—
Loss on disposal of assets	99	111	—
Non-cash compensation	824	788	656
Litigation settlements and contingencies	212	245	74
Post acquisition adjustments	—	(652)	(849)
Adjusted EBITDA from continuing operations	$ (521)	$ (5,336)	$ (6,379)
Operating loss from discontinued operations	$ 8,531	$ (9,737)	$ 9,357
Adjustments to reconcile to EBITDA and Adjusted EBITDA:			
Amortization of intangibles	44	71	212
Depreciation	394	589	701
EBITDA from discontinued operations	8,969	(9,077)	10,270
Restructuring expense	509	3,906	275
Asset impairments	—	—	—
Loss on disposal of assets	27	—	—
Non-cash compensation	75	5	122
Litigation settlements and contingencies	4	15	1,547
Post acquisition adjustments	—	—	(221)
Adjusted EBITDA from discontinued operations	$ 9,584	$ (5,151)	$ 11,993
Reconciliation to net loss:			
Operating loss from continuing operations per above	$ (3,760)	$ (7,968)	$ (7,436)
Other expense, net	(110)	(76)	(60)
Loss before income taxes	(3,870)	(8,044)	(7,496)
Income tax provision	185	(37)	(42)
Net loss from continuing operations	(3,685)	(8,081)	(7,538)
Gain from sale of discontinued operations	7,752	—	—
Income (loss) from discontinued operations, net of tax	8,531	(9,737)	9,357
Net income (loss)	$ 12,598	$ (17,818)	$ 1,819

TREE.COM'S PRINCIPLES OF FINANCIAL REPORTING

Tree.com reports Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and adjusted for certain items discussed below ("Adjusted EBITDA"), as supplemental measures to GAAP. These measures are two of the primary metrics by which Tree.com evaluates the performance of its businesses, on which its internal budgets are based and by which management is compensated. Tree.com believes that investors should have access to the same set of tools that it uses in analyzing its results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Tree.com provides and encourages investors to examine the reconciling adjustments between the GAAP and non-GAAP measure discussed below.

Definition of Tree.com's Non-GAAP Measures

EBITDA is defined as operating income or loss (which excludes interest expense and taxes) excluding amortization of intangibles and depreciation.

Adjusted EBITDA is defined as EBITDA excluding (1) non-cash compensation expense, (2) non-cash intangible asset impairment charges, (3) gain/loss on disposal of assets, (4) restructuring expenses, (5) litigation settlements and contingencies, (6) pro forma adjustments for significant acquisitions or dispositions, and (7) one-time items. Adjusted EBITDA has certain limitations in that it does not take into account the impact to Tree.com's statement of operations of certain expenses, including depreciation, non-cash compensation and acquisition related accounting. Tree.com endeavors to compensate for the limitations of the non-GAAP measure presented by also providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure.

Pro Forma Results

Tree.com will include Adjusted EBITDA pro forma adjustments for significant acquisitions and dispositions only if it views a particular transaction as significant in size or transformational in nature. For the periods presented in this report, there are no pro forma adjustments for significant acquisitions or dispositions included in EBITDA and Adjusted EBITDA.

One-Time Items

Adjusted EBITDA is adjusted for one-time items, if applicable. Items are considered one-time in nature if they are non-recurring, infrequent or unusual, and have not occurred in the past two years or are not expected to recur in the next two years, in accordance with SEC rules. For the periods presented in this report, there are no adjustments for one-time items.

Non-Cash Expenses That Are Excluded From Tree.com's Non-GAAP Measures

Non-cash compensation expense consists principally of expense associated with the grants of restricted stock units and stock options. These expenses are not paid in cash, and Tree.com will include the related shares in its calculations of fully diluted shares outstanding. Upon vesting of restricted stock units and the exercise of certain stock options, the awards will be settled, at Tree.com's discretion, on a net basis, with Tree.com remitting the required tax withholding amount from its current funds.

Amortization and impairment of intangibles are non-cash expenses relating primarily to acquisitions. At the time of an acquisition, the intangible assets of the acquired company, such as purchase agreements, technology and customer relationships, are valued and amortized over their estimated lives.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

The matters contained in the discussion above may be considered to be "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. Those statements include statements regarding the intent, belief or current expectations or anticipations of Tree.com and members of our management team. Factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include uncertainties surrounding the potential sale transaction related to the assets of our LendingTree Loans business,

including: the uncertainty as to the timing of the closing, whether stockholders will approve the sale transaction, the possibility that competing offers for the assets will be made, the possibility that various closing conditions for the transaction may not be satisfied or waived, and the effects of disruption from the transaction making it more difficult to maintain relationships with employees, customers and other business partners. These and additional factors to be considered are set forth under "Risk Factors" in our Annual Report on Form 10-K for the period ended December 31, 2010, our Quarterly Report on Form 10-Q for the period ended March 31, 2011, and June 30, 2011, and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results or expectations.

About Tree.com, Inc.

Tree.com, Inc. (NASDAQ: TREE) is the parent of several brands and businesses that provide information, tools, advice, products and services for critical transactions in our customers' lives. Our family of brands includes: LendingTree.com®, GetSmart.com®, DegreeTree.com℠, LendingTreeAutos.com, DoneRight.com and ServiceTree.com. Together, these brands serve as an ally for consumers who are looking to comparison shop for loans, home services, education, auto and other services from multiple businesses and professionals who will compete for their business.

Tree.com, Inc. is the parent company of wholly owned operating subsidiaries: LendingTree, LLC and Home Loan Center, Inc.

Tree.com, Inc. is headquartered in Charlotte, N.C. and maintains operations solely in the United States. For more information, please visit www.tree.com.

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corrected transcript

Tree.com, Inc.	TREE	Q3 2011 Earnings Call	Nov. 11, 2011
Company	*Ticker*	*Event Type*	*Date*

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Nick Zamparelli – Analyst, Zeke Capital Advisors LLC
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone and welcome to the Tree.com's Third Quarter 2011 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the conference over to Mr. Doug Lebda, Chairman and CEO of Tree.com. Please go ahead sir.

Douglas Robert Lebda, Chairman & Chief Executive Officer

Thanks, operator, and thank you to everyone for joining us today for Tree.com's Q3 2011 earnings conference call. First, a quick disclaimer. During this call, we may discuss Tree.com's plans, expectations, outlook or forecast for future performance. These forward-looking statements typically are preceded by words such as "we expect, we believe, we anticipate, we are looking to" or other similar statements. These forward-looking statements are subject to risks and uncertainties and Tree.com's actual results could differ materially from the views expressed today. Many, but not all of the risks we face are described in the periodic reports we file with the SEC from time-to-time.

We will also discuss non-GAAP measures, EBITDA and adjusted EBITDA. I refer you to today's press release for the comparable GAAP measures, definitions and full reconciliations of adjusted EBITDA and EBITDA to GAAP measures. As we do in each call, I'll first address the overall results for the quarter and highlight several key strategy points and then turn it over to Tamara for a more detailed financial review.

Q3 was a great quarter for Tree.com. We posted net income of $12.6 million, which is $30 million better than Q2 and a $10.8 million increase over Q3 of last year. Q3 net income includes a $7.8 million one-time gain on the sale of our remaining real estate assets, but without that sale, we still would have had solid improvement both quarter-over-quarter and year-over-year.

Revenue was $50.7 million in the quarter, a 17% increase over Q2 and a 5% decline from Q3 of last year. As you can see in our press release, mortgage interest rates dropped again falling nearly 60 basis points in the third quarter and ended the quarter at just over 4%. We said it before, but these levels are truly unprecedented and they have provided us with a temporary tailwind felt most strongly at LendingTree Loans.

LTL's financial results fall into discontinued operations because of the pending sales of Discover Bank. A lower rate environment provided LTL with a boost in loan production showing 14% more closed units compared to Q2. It also resulted in an increase in average revenue generated per

closing. As a result of these factors, revenue from discontinued operations, the vast majority of which is LendingTree Loans, was up $11.1 million or 42% over Q2.

One call out for LTL relates to our cash balance at quarter end. As you can see on our balance sheet, we reported an unrestricted cash balance of just over $10 million, compared to $34 million in Q2. That might seem surprising, but it's a normal event given the flood of refinance volume. We were reaching capacity on our warehouse lines and used existing cash to fund loans.

This cash decline is offset by an increased balance in loans held for sale. Subsequently in October, these loans were sold off and the proceeds returned as unrestricted cash, bringing us back to a more normal cash balance.

We've now expanded our warehouse capacity to handle increased loan production. While we're on the subject of LTL, let me give you an update on the sale of our LTL assets to Discover Bank. Previous calls, we indicated that this deal was likely to close by the end of 2011. The asset purchase agreement with Discover Bank which was publicly disclosed, allowed for them to extend the closing passed November 8 upon payment of extension payments.

Discover exercised its first 30-day extension and paid us the associated $1 million extension payment. All extension payments will be offset against the purchase price owed by Discover upon closing.

At the present time, I don't want to speculate on the exact timing of the closing except to say that both we and Discover remain committed to completion of the deal. In the meantime, given the interest rate environment and the excellent results at LTL, we're pleased with the financial benefits that LTL contributed to our business in Q3.

Moving on to our continuing operations. We reported net loss in the third quarter of $3.7 million. This is a $4.4 million improvement quarter-over-quarter and a $3.8 million improvement year-over-year. Adjusted EBITDA in Q3 was a loss of approximately $500,000. This is also a significant improvement both quarter-over-quarter and year-over-year. The improvements we saw in Q3 adjusted EBITDA came despite declines in revenue.

For those of you who have been tracking our business for a while, you'll remember that when refinance volume spikes, revenue per lead decreases as lenders reach capacity and therefore take fewer leads from us and LTL takes more of the lead volume for which we don't record revenue in our continuing Exchange business.

Upon closing of the sale of LTL to Discover Bank, leads sold to Discover Bank as HLC successor will provide revenue to the Exchanges business. Our results from continuing operations therefore do not give the full picture of how the Exchanges business would perform if LTL's assets were sold as opposed to treated as discontinued operations.

To counteract the lender capacity issue in this low interest rate environment, we've aggressively ramped up sales efforts. We've launched an automated lender setup tool and that plus increased sales efforts, have helped us add almost 80 lenders in just the last two months. Given the high quality of LendingTree leads and our better marketing performance with our new marketing leadership, we're hoping to gain significant share in the mortgage lead gen vertical in the coming months and into 2012.

In the non-lending Exchanges, revenue was down about $600,000 quarter-over-quarter. Total transmitted non-mortgage consumer requests fell slightly from Q2, down 4%, driven primarily by an expected decline in home services leads. However, on a positive note, leads in our education business were up 9% over Q2 levels. Even with the small quarter-over-quarter decline in lead volume, the combination of our non-mortgage verticals still transmitted nearly 145,000 consumer

service requests in Q3 and represented over 52% of our total mortgage and non-mortgage transmits.

To expand on our marketing success, our marketing expense as a percentage of revenue in continuing operations was only 65% compared to 90% in Q2. We're much more flexible on our spend, much more automated with new technology tools and staffed with new senior level talent in search, CRM, creative, and analytics. We're beginning to see very real progress in marketing.

Helping to drive our non-mortgage verticals was the roll out of significant improvements to our technology. In education, the DegreeTree site has been completely revamped with an improved customer experience, improved marketing for schools, improved landing pages and importantly improved information management enabling better day-to-day management of the marketing spend and revenue.

In home services, we rolled out a new merchant management system enabling easier setup for merchants, improved bidding and better lead-flow management. In our auto vertical, we added functionality to enable us to enter auto lead sales in addition to auto financing.

With that, let me turn the call over to Tamara to add more detail to the financial results.

Tamara Kotronis, Senior VP-Financial Planning & Investor Relations

Thanks, Doug. And good morning to all who have joined us on today's call. Since Doug already hit many of the high-level results for the quarter, I'll go ahead and dive into some details not already covered.

But first, a quick comment about the changes in structure of our financial reporting. Due to the previously disclosed sale of the remaining assets of the real estate business, we are recording the remainder of our real estate operations as discontinued operations.

Effective this quarter, the financial results reflected in discontinued operations include those of LendingTree Loans and now all of our real estate operations. All prior periods presented in the earnings release and discussed on this call have been recast to conform to this new presentation.

Now into the numbers. As Doug mentioned earlier, in the third quarter 2011, we reported net income of $12.6 million or $1.13 per share. This compares to $17.8 million or $1.62 per share net loss posted in Q2 and a $1.8 million or $0.16 per share net income in Q3 of 2010.

Looking at continuing operations alone, we reported a net loss in the third quarter 2011 of $3.7 million or $0.33 per share. This was a $4.4 million improvement over Q2 and a $3.8 million improvement over Q3 of last year.

Staying in continuing operations, revenue was $13.1 million in the third quarter, which was $3.8 million or 23% lower than Q2 and $2.1 million or 14% lower than Q3 of 2010. Due to the spike in refinanced volume, we transmitted 18% fewer consumers to lenders compared to Q2, plus there was 7% quarter-over-quarter decline in the average number of lenders per transmitted consumer.

The resulting decline in revenue from the lending exchanges represented most of the quarter-over-quarter revenue decline. While revenue was down versus Q2, lower interest rates provided the backdrop for significant reductions in marketing expense.

The increased organic consumer activity and the refinanced market translated into lower marketing spend to acquire mortgage lead volume. After months of testing new marketing avenues and renegotiating old ones, today we can more easily step on the gas when volume is light and throttle back when leads are harder to come by. As a result, in continuing operations, total selling and marketing costs were 44% lower quarter-over-quarter and 35% lower than Q3 of 2010.

Beyond marketing, we've maintained a very sharp focus on fixed costs. General and administrative expense in continuing operations was 16% lower than Q2 and 30% lower than Q3 of 2010. The primary drivers of lower G&A both quarter-over-quarter and year-over-year are lower compensation expense from corporate restructuring that took place in previous quarters in addition to lower professional fees.

I think it's important to take a moment to discuss our cash expectations looking into the near future, particularly related to the pending sale of Home Loan Center assets to Discover Bank.

As we discussed on previous calls upon completion of the sale, Home Loan Center will receive $35.9 million adjusted for certain transition amounts. $1 million of that amount has already been received with the closing extension. Approximately $15.5 million of that amount will be held in escrow pending the discharge of loan loss liabilities that will remain with us.

Assuming a break even business elsewhere and no unusual or unplanned use of the cash, we estimate our unrestricted cash after the sale and discharge of loan loss and other liabilities to be in the range of $30 to $40 million.

Separately, there is an additional $20 million of contingent deferred consideration to be paid by Discover Bank over two years, which is not considered in that estimate. It also does not consider other uncertainties such as litigation, restructuring, currently unplanned capital expenditures or changes in the loan loss reserve that would affect the amount put in escrow, all of which could cause the actual outcome to be substantially different from this estimate.

Now, briefly turning over to the balance sheet, we ended the quarter with approximately $10.3 million in unrestricted cash, plus $13 million of restricted cash. The unrestricted cash balance is down approximately $24 million from the end of Q2 reflecting the timing of loan funding and sales. We've reserved approximately $27.3 million for potential loan loss liabilities as of September 30, 2011.

We ended the quarter with 11 million common shares outstanding with another 1.1 million option and 578,000 RSUs outstanding. As has been the case, throughout 2011 we did not repurchase any shares in Q3, so we have approximately $4.3 million in share repurchase authorization remaining.

And with that, I'd like to turn it back over to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And we will take our first question from Mark Mahaney with Citi. Please go ahead.

<Q – Neil Doshi – Citigroup Global Markets (United States)>: Hey, guys, it's Neil Doshi calling in for Mark.

<A – Douglas Lebda – Tree.com, Inc.>: Hi, Neil.

<Q – Neil Doshi – Citigroup Global Markets (United States)>: Hey, Doug. A couple of questions. Can you talk a little bit about the trends you're seeing in October and November, I think rates have continued to stay pretty low, have the trends that you saw in Q3 continued or are you seeing anything different? And then, secondly, could you talk about how the new refi rules for a Fannie Mae, Freddie Mac loans by the government could help your Exchange business?

<A – Douglas Lebda – Tree.com, Inc.>: Sure. Great questions. The trends in Q4, I would say, are largely the same as they were in Q3, albeit, probably not continuing down, rates haven't continued down on a straight slope. So we're continuing to see very strong LTL results.

And then at the same time on the Exchange, lenders are still very full volume. So sales are sometimes a little more challenged, that said, that's why we really put the lender sales push on and added a bunch more lenders.

One thing I would say seasonality start to set in a little bit, so volume is not as strong as it would have been, let's say, a couple of months ago. But in general, things are still good, probably not as fantastic as they were in kind of Q3.

In terms of the new refi rules, we're talking about the HAMP program there or HAMP II. We think that is going to be a very positive thing for the business. However, the exact rules are not out yet. So when it was publicized, we saw a big surge in volume which normally happens any time there is press about anything about mortgage related.

But we do believe it will be net positive. The biggest issue that you have right now is lenders just can't qualify; typically things are falling of because of appraisal. And so any ability to relax appraisal restrictions will certainly be a good thing.

My guess is, it will benefit LendingTree Loans more than it will benefit the Exchange because if they can, if lenders can refi them on their own, again, they'll be – there'll be full of volume. We're definitely seeing less capacity, the industry has taken a lot of capacity offline. And so therefore as lenders – lenders need a lot of confidence to add people back to the business. But it seems like every time we say rates can't get any lower, it seems like they get lower.

<Q – Neil Doshi – Citigroup Global Markets (United States)>: Great. And then Doug, on the non-mortgage related leads. Could you talk a little bit about why home services was a little bit light and then also why the – but the education side was stronger? It seems like we've been hearing more concerns on some of your competitors on the education side?

<A – Douglas Lebda – Tree.com, Inc.>: Sure. On the home services side, the business that we bought was traditionally wedded to a direct marketing offline business, which related to – what they would do is actually produce guidebooks and send them out. We generally send those out early in the year and then they kind of tail off later in the year.

It’s actually a really good business and it’s profitable and it’s something that no one else in the industry has been able to figure out. So that volume is tailing off. And we have been very deliberate

about turning on online advertising spend, that — home service is a very interesting and complicated business and the only people who have figured this out at scale have been ServiceMagic.

But what we’re seeing is – and it’s complicated, because you’ve got coverage by category and coverage by geography. And so you need to be able to market very precisely. And we didn’t want to lose money in marketing, so we haven’t turned on the online marketing yet. We really spend our time getting the product right, launching the new site, getting merchants on the platform and now we will very deliberately and slowly turn on the marketing spigot in Q4.

On the education front, partially good fortune, but mostly just a fantastic team. The changes in the regulations there have not really – we have a very unique niche; very similar to LendingTree in the education space, which is we now – we produce high quality consumers that are actually going to convert.

So the bread and butter of pretty much a lot of the other competitors was marketing essentially saying, “Hey, you can go to school here and you get Pell Grant and don’t have to pay anything. Well, that is now outlawed, we never did that. One, because we didn’t think it was right. And two, because we just felt like it wasn’t going to last. So we’ve always marketed – we never really got into that game.

And so we just continued to take share and I’m thrilled with what’s happening. So every month schools are upping their cap with us, their request of leads, they’re very pleased with the leads we produce. We also are in this for the long-term, so we monitor lead quality very, very closely and work in partnership with these people. And they’re pleased withwho we are, so we’re adding new schools, we’re adding caps and schools. And we’re also now, believe or not, doing a very small, but growing international business. So the prospects for that business, we think are really bright because we’ve got such a quality focus.

<Q – Neil Doshi – Citigroup Global Markets (United States)>: Great. And just one last question if I can, Doug. When do you think we can see EBITDA on the pro forma business turn positive?

<A – Douglas Lebda – Tree.com, Inc.>: So we actually don’t show it on a pro forma basis yet and but it would have been positive in Q3. We just ran some numbers this morning and said, “What if the volume we send to LendingTree loans we’re able to monetize on the Exchange. And it would have been basically, it would add about $7 million for the quarter of top line and add $3 million to adjusted EBITDA.

And that’sat not great monetization on the Exchange in Q3 because of the volume effect that we’ve talked about. And so it would have been positive in Q3 and certainly would be positive going forward.

Q4 on a pro forma basis will be right at breakeven really because of seasonality. But I’m really bullish on the pro forma business and what it’s going to be post LTL. Now in the meantime, right now it’s great to have LTL and we’ll keep it and we’ll take the profit that it’s generating and take the increasing cash. So that’s great, but going forward this is a profitable business and as marketing grips, it could get really profitable.

<Q – Neil Doshi – Citigroup Global Markets (United States)>: Great. Thank you, Doug.

Operator: [Operator Instructions] We’ll go next to Ed Antoian with Chartwell. Please go ahead.

<Q – Ed Antoian – Chartwell Investment Partners LP>: Okay, all right. And just make sure I understand the magnitude, $13.1 million revenue from continuing op, $10 million of that is mortgage?

<A – Douglas Lebda – Tree.com, Inc.>: We’ve never really broken that out before, so we don’t.

<Q – Ed Antoian – Chartwell Investment Partners LP>: You kind of did, you said the mortgage exchange revenues was down 25%, was down $2.5 million or 20%, so if you give me both those numbers I can do simultaneous equations?

<A – Douglas Lebda – Tree.com, Inc.>: I think, it’s a little less than 10%, but you’re in a ballpark.

<Q – Ed Antoian – Chartwell Investment Partners LP>: Okay. And then, you said transmits for Exchange was actually – transmits for education were actually up. At what percent did you say that was?

<A – Douglas Lebda – Tree.com, Inc.>: I believe, I said 9%.

<Q – Ed Antoian – Chartwell Investment Partners LP>: 9%.

<A – Douglas Lebda – Tree.com, Inc.>: Yep.

<Q – Ed Antoian – Chartwell Investment Partners LP>: And home services was down...

<A – Douglas Lebda – Tree.com, Inc.>: It was down single – 18%.

<Q – Ed Antoian – Chartwell Investment Partners LP>: Okay, 18%. Wait, wait, wait, mortgage was down 18%?

<A – Douglas Lebda – Tree.com, Inc.>: No, I think home service, I think I got home services.

<Q – Ed Antoian – Chartwell Investment Partners LP>: Were both of them down that much?

<A – Douglas Lebda – Tree.com, Inc.>: Yes.

<Q – Ed Antoian – Chartwell Investment Partners LP>: Okay. And Exchange the bigger piece?

<A – Douglas Lebda – Tree.com, Inc.>: Yes.

<Q – Ed Antoian – Chartwell Investment Partners LP>: I mean, education the bigger piece?

<A – Douglas Lebda – Tree.com, Inc.>: Yes.

<Q – Ed Antoian – Chartwell Investment Partners LP>: Okay. Thanks.

<A – Douglas Lebda – Tree.com, Inc.>: Thank you.

Operator: We'll take our next question from Kevin Hanrahan with KMH Capital Advisors. Please go ahead.

<A – Douglas Lebda – Tree.com, Inc.>: Hi, Kevin.

<Q>: Hi, Doug. How are you?

<A – Douglas Lebda – Tree.com, Inc.>: Great

<Q>: I have a couple of questions. It's very confusing what happened, first, I wanted to talk about, you said LendingTree used $30 million of cash. So as of September 30 that was not on your books, but then that came back in October, would that be fair to say in October that $30 million came back into cash, but it's not going to show for September 30?

<A – Douglas Lebda – Tree.com, Inc.>: Yes, absolutely. So the cash balance moved down into loans held for sale; remember those get cleared up in the next two – typically two weeks after that and then that cash comes back.

<Q>: So the cash today would be about $40 million in unrestricted cash?

<A – Douglas Lebda – Tree.com, Inc.>: You nailed it.

<Q>: Okay, that's good. So I'm trying to figure out the deal with Discover and the time line in that, gentleman, and the other statement, you got some regulatory issues. So are you still hoping to close that deal by year-end?

<A – Douglas Lebda – Tree.com, Inc.>: No, I think, I said in my comments, I don't anticipate that will happen in year-end and can't really speculate further on when it will happen. They'll pay us extension payment to do it and we're in ongoing discussions with them.

<Q>: Okay. So you would say that the payments that they gave you it doesn't really reflect that the deal is not is not going to get done, its just pushing out in time?

<A – Douglas Lebda – Tree.com, Inc.>: Exactly. The contract called for their ability to extend for up to five months. And they have to pay out a million dollars a month to extend but then that gets netted against purchase price.

<Q>: Right. So they did one month so far?

<A – Douglas Lebda – Tree.com, Inc.>: Exactly.

<Q>: Yeah. So to answer my next question, so the CFO has mentioned that you'll get $20 million and as I recall, it's $10 million a year after the close and another $10 million on the second anniversary, is that correct?

<A – Douglas Lebda – Tree.com, Inc.>: Yes.

<Q>: So, if the deal closes just say whatever March 1st, then you would get $10 million more in March 1st of the following year and $10 million more in March 1st of the second year?

<A – Douglas Lebda – Tree.com, Inc.>: You got it, exactly.

<Q>: All right.

<A – Douglas Lebda – Tree.com, Inc.>: In addition to the upfront payment?

<Q>: Right. Exactly.

<A – Douglas Lebda – Tree.com, Inc.>: Yeah.

<Q>: Right, exactly. So you're probably, you are restricted in terms of you couldn't do share purchase this quarter if you had wanted to in Q3?

<A – Douglas Lebda – Tree.com, Inc.>: That's right. I think we were in – we think given the status that we know where things are that we're really in possession of material non-public information that I think would prevent us from doing that.

<Q>: And will it probably be the case until the Discover deal closes?

<A – Douglas Lebda – Tree.com, Inc.>: I don't think so. I think it would – I'm not lawyer on this, but my guess is, once we publicly give a very clear statement on exactly where it stands and when things are going to happen, then I think that would relieve itself.

<Q>: You might be able to go if the window was open otherwise?

<A – Douglas Lebda – Tree.com, Inc.>: Exactly, yeah. You might be able to or you put a plan in place and etc.

<Q>: Okay. Thanks and the best of luck to you.

<A – Douglas Lebda – Tree.com, Inc.>: Thank you very much. Good to talk with you.

Operator: [Operator Instructions] We will go next to Nick Zamparelli with Zeke LP. Please go ahead.

<Q – Nick Zamparelli – Zeke Capital Advisors LLC>: Hi, guys. Thanks for taking the question. Just have a quick one on the pro forma Exchange business. Doug, you mentioned when marketing starts to grip, you mentioned kind of being bullish on EBITDA when marketing starts to grip, we could really see that. Maybe just kind of elaborate on that a little bit in terms of timing and what we should expect in kind of what are the hinge points there?

<A – Douglas Lebda – Tree.com, Inc.>: Sure. So last March, we hired a new CMO in Gab Dalporto, we talked about that. He is now – I referred to a little bit of this on the call. We now have a new Head of Search, a new Head of CRM, a new Head of Analytics and expect very soon to have new a new Head of Display Marketing and a new Head of Offline. So literally we're retooling the entire team.

On search, we're seeing it right now, the search team that we brought in has actually, substantially increased margins from search marketing, while actually decreasing spend. The analytics people that we've brought in are basically able to manage this business in real-time like we never had before.

So, for example, what we've seen in this past couple of months, we're seeing volume go up and down more drastically than we ever have before. And our analytics guys can basically tune the engine, to basically tell the marketers to turn it up or turn it down literally within the hour, where if you remember back to Q1, we really got caught.

Another interesting little model I've seen, one of the new guy's on the team is a statistician. Literally by 10 o'clock in the morning based on a number of inputs, he can predict the level of volume we're going to see that day. And so, based on that, they can tune the engine even more.

So what will happen is as the market tightens, lenders once again will need our volume and the bids to get every lead, if you remember going back a few years, the first thing we did was we fixed the monetization, so we put in standardized filters, we cleaned up a lot of the technology on the lender side, and importantly moved our bidding to all lead fee-based and adjusted, so that the lenders can bid the price of the lead up and down.

So as those bids move up, the lender, the marketing team will be able to step on the gas. And so right now, they're testing, they're learning, they're seeing what works, and then as – they have a metric literally we call Variable Margin Dollars which is the spread between total revenue for the day and total marketing cost for the day, the difference is VMD.

And they just drive VMD. Their job is to maximize VMD for the company. And as they get better it's going to – they just drive more. We just did some share analysis for our planning process.

LendingTree has a pretty small share, we think, of the online mortgage market, but we think we're uniquely positioned. Our competition, obviously, are the guys like QuinStreet, and Bankrate, and Google, and others. But I heard from some of the other – from one of our competitor calls they had weakness in the financial category, and weakness in the education category. And we're kind of seeing the opposite.

So, I think we can steal share in this business. Just from marketing effectiveness alone, not even counting the brand lift and having a great customer experience too.

<Q – Nick Zamparelli – Zeke Capital Advisors LLC>: Okay, great. Thanks. Good luck guys.

<A – Douglas Lebda – Tree.com, Inc.>: Thank you.

Operator: [Operator Instructions] We will go back to Ed Antoian with Chartwell. Please go ahead.

<Q – Ed Antoian – Chartwell Investment Partners LP>: You guys answered it already. Thanks guys.

<A – Douglas Lebda – Tree.com, Inc.>: Okay.

Operator: We will move to Dan Weston with WestCap Management. Please go ahead.

<Q – Dan Weston – WestCap Mgmt>: Yeah, hi, good morning. Thanks for taking the questions and it looked to be a much improved quarter, so congrats on that as well. A couple of questions on the cash. Tamara, you were going a little fast, I just wanted to make sure I got it. So as of today, with the recovery of the cash you used to fund the loans, you're standing at about $40 million unrestricted today?

<A – Douglas Lebda – Tree.com, Inc.>: That's exactly right.

<Q – Dan Weston – WestCap Mgmt>: Okay. And then, post closing, you guys received $35.9 million in cash minus the $15.5 million that's held in escrow?

<A – Douglas Lebda – Tree.com, Inc.>: That is exactly right. But then you need to – and then you have some additional liabilities that you will have. So that will take you to, call it$55 million. And then we got some stuff we got to work out here, and a lot of this has been disclosed previously, but there – we got some litigation matters, we've got loan losses that we would expect that we would have to – that it could be that we're going to pay more than the escrow amount, probably it would be likely, and have some deal cost, etcetera, etcetera.

So there's a number of other things that get you down to that kind of $30 million-ish level. That doesn't happen all once clearly or that could take over times. So you might end up with a larger cash balance on day one, but we wanted to give you to say, really, pro forma, when you deal with everything and it's all put to bed, what do you have left? And it's in that $30 million range.

<Q – Dan Weston – WestCap Mgmt>: $30 million and that would be the unrestricted cash portion?

<A – Douglas Lebda – Tree.com, Inc.>: Yes, yes.

<Q – Dan Weston – WestCap Mgmt>: And then would you expect your restricted cash levels to change materially between now and closing, let's say?

<A – Douglas Lebda – Tree.com, Inc.>: Yeah. Once that deal close, that restricted balance should go down pretty substantially, because lot of that restricted cash is tied up because of the LTL business.

<Q – Dan Weston – WestCap Mgmt>: Let me make sure I understand that. So when the deal closes, does any part of the restricted cash turn into just regular cash post closing or does that restricted cash go away?

<A – Douglas Lebda – Tree.com, Inc.>: No, no, no, it doesn't go away, it would – probably about house numbers, and don't hold me to this, my guess is about $10 million of the restricted cash will turn into unrestricted cash.

<Q – Dan Weston – WestCap Mgmt>: Okay. So then, if you have to – you end up with the $30 million plus you're able to convert the restricted of $10 million, you should end up somewhere around $40 million of net unrestricted cash post closing?

<A – Douglas Lebda – Tree.com, Inc.>: Yes.

<Q – Dan Weston – WestCap Mgmt>: Got you. And then lastly on the loan loss reserves, I noticed they picked up a few million bucks quarter-over-quarter, the $15.5 million that you hold escrow at closing, is that specifically designed to offset those loan loss reserves?

<A – Douglas Lebda – Tree.com, Inc.>: It is. That was a negotiated amount, so the way this will work, that was a negotiated amount with Discover. The deal was, "Hey, we want to make sure you've got some money set aside to cover these things," and we negotiated $15 million. We've got $27 million on our reserves right now that we would estimate the total liability would be from now into the future and you got – we got to have negotiations with the some – you either negotiate global settlements or you pay the bills as they come due overtime. And from – one side of me wants to negotiate those and get those out of there, just clean it up. At the same time, we want to negotiate good deals. We want to make sure we do what's fair. If we owe somebody money, we're going to pay it. At the same time there is lots of – every one of those loans is a story and you have debates and negotiations about them, for every single loan.

<Q – Dan Weston – WestCap Mgmt>: So maybe, you can get away with paying a little less. But, I guess, lastly, on the loan loss reserves amount that you've committed to the $27 million. Doug, what do you think realistically is likely for that amount, do you think you've reserved adequately for those on loan losses? Is there a chance that it could be materially higher than that or is that really the extent of the liability as far as you guys know today?

<A – Douglas Lebda – Tree.com, Inc.>: Look, when I – honestly – it completely depends. So when I came back to the company after IAC we had I think about a $12 million reserve on, and I thought that was going to be adequate. Obviously, as the business, as the housing market got worse and worse and worse, we saw the pace of loan buyback requests increase. And so we've obviously had substantially higher losses than at least I ever thought.

We think we're adequately reserved now. But the way that reserve calculation happens, it basically takes loan buy back request as they come in, runs a mathematical calculation on what we think that means about the future. And that's the way that's calculated. So, in general, we've been increasing that regularly, but we haven't necessarily been paying out the cash as we look to kind of negotiate with the people that we owe. So we're in good faith negotiations with all of our so-called investors on those loans. And we expect to continue to do that and we've got very good discussions and very good relationships and we hope to settle them on a level that's fair for them and fair for us.

<Q – Dan Weston – WestCap Mgmt>: Very good. If I may, just one last one in terms of the operating expenses. You guys have done a terrific job in getting those lowered especially on the

sales and marketing side. First it is – is that the appropriate level now for specifically your sales and marketing going forward, even kind of continuing ops post sale. And then additionally, once the sale, if and when it's completed, is there any other place in the operating lines where you can reduce expenses or with this G&A line and rest of it kind of stay the same as what you did in Q3?

<A – Douglas Lebda – Tree.com, Inc.>: I think we're at a good level from the level of G&A. What we're going to see different – where you're going to see, I think, some reductions over time would probably – and I don't think it's going to be huge, but we've got a good bit of professional fees and legal fees etcetera and accountants and auditors because even though we're pretty small, we're pretty complicated, we're heavily regulated – there are regulatory stuff in South Carolina and other places. So it's a much simpler, cleaner business when it's just the Exchange business, so I would expect that we'll see some reductions there.

On selling and marketing, I think on the selling side – on the personnel side I think you might see marketing in particular creep up a little bit, just because we are hiring people there, but all those people payback quickly. You will see the dollar marketing expense increase over time. And that's working media. And the key thing there is to remember that marketing for us is not an expense, it's fuel. We're a direct marketer.

So I want to spend, in my dreams, I want to be a billion-dollar advertiser because then I'll have $1.8 billion in revenue.

<Q – Dan Weston – WestCap Mgmt>: Yeah.

<A – Douglas Lebda – Tree.com, Inc.>: So as long as you get that, I think we'll be fine. But no, from a fixed cost standpoint, we got this place lean. I kind of basically say to everybody internally around here, you have to be able to program a computer, you got to sell, you got to be a marketer or else you're overhead. And I'm the number one example of overhead and everybody else actually rolls up their sleeves everyday and is doing great work.

The other area, I think you'll see expenses tail off a little bit is in the product development and tech front. We have invested, and we said we were going to do it that we've taken the money from LendingTree Loans, those profits. And so we could build a diversified business and that is largely done. So we have unwound for – we completed a lot of technology this quarter and we're spending a lot less, for example, on the third party consultants and offshore technology. So I think we are going to – knock on wood – I think we're going to start to reap some of the benefits of that investment here in the next couple of quarters.

<Q – Dan Weston – WestCap Mgmt>: Very good. Well, I appreciate the detailed answer. And once again, congratulations on a terrific job for Q3.

<A – Douglas Lebda – Tree.com, Inc.>: Hey, thanks a lot.

Douglas Robert Lebda, Chairman & Chief Executive Officer

I think we're out of questions. So I'll thank you all again for your attention this quarter. We have been grinding it out this year. I'm really pleased with the work that our team has done across the board; really pleased with the new people we've brought in. We're optimistic that we've gotten this business right sized. I've said that before and we've gotten some surprises. Clearly, this is a volatile business but we are very focused. We've got our plan down and we're very focused going into 2012 to get significant revenue growth and significant earnings growth and hopefully get this a little clearer and a little bit of a simpler business for everybody to digest. And we look forward to working with you in the future.

Operator: Ladies and gentlemen, this will conclude today's conference call. We thank you for your participation.