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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Tree kickoff conference call. During today's presentation all parties will be in a listen only mode. Following the presentation the conference will be open for questions. (OPERATOR INSTRUCTIONS) As a reminder please do turn off all cell phones and BlackBerrys during the conference. I'd like to turn the conference over to Mr. Eoin Ryan, Vice President of Investor Relations at IAC. Please go ahead, sir.

Eoin Ryan - *IAC - VP, IR*

Thanks, Operator and thank you everyone for joining us this morning for the Tree.Com kickoff conference call. The penultimate call in a series of four conference calls to introduce management of the IAC Company being spun off and to provide an opportunity for the investment community to learn more about each Company's operations, competitive position, and strategic objectives.

On the call with me today is IAC Executive Vice President and CFO, Tom McInerney; Tree.com Chairman and CEO, Doug Lebda; and Tree.com Senior Vice President and CFO, Matt Packey. Tom will give you a brief update on spin timing, process and capital structure before turning it over to Doug and Matt for a discussion of Tree.Com's business but first let me remind you that during this call we will discuss Tree.Com's outlook for future performance. These forward-looking statements typically are preceded by words such as we expect, we believe, we anticipate or 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. Some of the risks have been set forth in the slide presentation accompanying this call as well as Tree.com's Form 10 filed with the SEC. We will also discuss certain non-GAAP measures. I refer you to the appendix of the accompanying slide presentation for all comparable GAAP measures and full reconciliations and with that I'll turn it over to Tom.

Tom McInerney - *IAC - EVP, CFO*

Thanks, Eoin, and good morning, everyone. First as has been the format of these calls let me give you a quick update on timing for the spinoffs, where in general we're making good progress in the timeline we've discussed previously. Last Thursday we filed amended Form 10s with the SEC and this filing included additional detail on the expected capital structure of each spinoff Company. If you have not done so yet I suggest taking a moment to read through these documents. As you know we intend to initially capitalize HSN, Ticketmaster and Interval with net debt and dividend the proceeds up to IAC pre-spin. Other than its warehouse line of credit Tree.Com will not carry any debt and immediately prior to spin, IAC will seed the Company with a sufficient amount of cash to allow it to operate while it seeks to return to profitability. The exact amount of cash Tree.Com will receive is not yet determined but we'll update you you when it is.

We expect to satisfy all our conditions for the spinoff including final is SEC and Board review and approval some time mid to late July which puts us on course to conclude the spins in early August. And with that let me turn it over to Doug and Matt who have a short presentation for you and then we'll take your questions. Doug?

Doug Lebda - *Tree.com - Chairman, CEO*

Thanks, Tom and Eoin, thank you all for attending. I'm very excited to tell you today about Tree.Com which is the Company that is being formed as a result of Lending Tree and several other companies, all of the financial services and real estate businesses inside of IAC. The good place to start is on our 12 year history with the Company, beginning in 1996 when the Company was founded. We launched our site nationally in 1998. Went through a successful IPO, and sold the Company to IAC in 2003. Since that time, we've invested significant capital to both grow the business as well as diversify it. We've done that in the real estate sector with the acquisition of Home Space, Service Magic's real estate business, RealEstate.Com, the domain name as well as other tools, and our iNest acquisition which expanded us in the new home market.

We've expanded the short form business by acquiring GetSmart.Com and then expanded into the corresponding mortgage business with the acquisition of Home Loan Center which we rebranded Lending Tree Loans and after 12 years in this business I believe it's safe to say that this Company knows our market, we know our numbers incredibly well and we know our industry. The acquisitions and the competencies we've developed particularly in marketing are the building blocks of the leading successful and diversified Company which will now be spun out of IAC as Tree.Com.

I'd like to take you you through the vision of Tree.Com and the areas that we think we can play and the significant opportunities that we believe are in front of us. When I was given the opportunity to come back to this Company, I took a very hard look at the assets that we had, and the good news is I found four significant assets that could be significantly leveraged. The first was the Lending Tree brand. I felt that not only was the Lending Tree brand strong but it could also be leveraged to other areas of financial services. Second, we had a growing and very large customer database. We've assisted over 20 million people since the Company was founded, getting mortgages and home loans as well as other loan products. Third, we had a real estate business which had ever increasing site traffic and ever increasing, ever improving financial performance, and after years of capital that we had invested in the business, the Company felt like it was on the right path with a great business model and a great website. And fourth, Lending Tree had a great marketing capability. We're one of the largest and one of the best spenders on the Internet I believe and at IAC, we were working across the other bees at IAC to leverage this capability that we had at Lending Tree to capitalize on some synergies and how we could market multiple products through our one engine. So with those four very significant assets, the Tree.Com strategy was born. I'd like to walk you through each of the businesses that we have at a very high level to just give you a sense for this.

First, are the two segments that we're going to be reporting , the lending segment and the real estate segment. As you can see in 2007 our lending revenue was $295 million, so it's a business of significant scale, and size that we think that can grow in the future. It's made up of several businesses. The first is the Lending Tree Network which you you all know that business very well. You fill out one form and get up to four offers, up to five offers within minutes and I'll take you through that business. Lending Tree Loans, it's based in Irvine, California, and that is the business of being a correspondent mortgage lender, still giving the consumer choice but acting as a correspondent lender. Our other businesses grouped together we call this our emerging businesses, grouped together the short form market which is Lending Tree Quick Match as well as Get Smart in addition to a site we're launching in about a month called Tuition Tree which will be just like Lending Tree but for student loans and then over time, the Tree.Com website where we would hope that we can bring lots of our products together under one brand.

Our next business is the Real Estate business, which in 2007 generated over $50 million in revenue, and that operates under the brand name RealEstate.Com, the site itself I'll take you through but it's basically a website, a portal for everything about real estate, and then monetized principally through a national real estate brokerage business that we've built out. And then our last segment that we think about is marketing, and we think of this as it's's obviously a department but we really think of this as a business. We spend over $100 million a year of marketing, except for our real estate business all of our marketing is centralized in this group with all of our creative site development and media spend going through this group and I'll take you through why we believe that gives us great synergies and when you add this all together, we believe that at the end of the day, Lending Tree, which has become the in dispensable ally for consumers in their home loan needs that we can leverage this Company to be the indispensable ally across a broad range of financial services businesses for consumers. And we think there's huge opportunity.

On the left-hand side of the next chart you can see that online banking, which is a good proxy for financial services adoption in general, continues to expand and continues to be standard issue for consumers. And each of the markets that we play in as well as a couple that we're planning to play in are very large, very highly fragmented, where we have extremely small market shares today. You can see that in the home loan category with over $2 trillion of loans originated, over 40% of the people who are willing to research but only 16% of consumers willing to apply online and Lending Tree's share is less than 1%. This is a site that's known by 84% of the U.S. population but where we originate less than 1% of all of the mortgages. The same thing is true in real estate. Over $60 billion of real estate commissions are paid every year, RealEstate.Com gets a 0.16% share. And the other consumer credit category, this is an area where Lending Tree has not focused in prior years like we had planned to when the Company was founded and it's an area like auto loans, personal loans and credit cards where there's just big opportunity for consumers who want to comparison shop and Lending Tree has a very small share.

When you look at the insurance, when you look at the insurance vertical you see basically the same thing, $1 trillion of premiums are paid, we are not even in that business but the insurance aggregators online have started to show reasonable success and we believe there's something, there's a play for us to make there as is the case in higher education through the student loan market.

Why will Tree.Com win? Well, first we're going to win because all of these markets are similar. They're big, they're highly fragmented and the seller -- there are lots of sellers in the market who sell their own products each of whom says we're the best. We have great service. We have great pricing. But those suppliers we believe need help getting new customers online and we believe that through our marketing, efficiency and scale we can be that source for them. Just like we've always done in Lending Tree where we say to our lender partners, we can give you new customers, we can help reduce your acquisition costs, and we can do all of that at significant scale. We believe we can do that in new verticals. And most importantly, consumers want someone on their side to help them make the right decisions, to help be that indispensible ally that we talked about.

The second reason we're going to win is because the Lending Tree brand can absolutely be leveraged to grow in loan products and then in new categories other than where we've been in mortgages and home loans. Also, because RealEstate.Com is a natural brand that we believe is at parity with the competition in this space and that we believe can grow and prosper. We've also got a great user base, which where we can naturally cross all other products and I already talked about all of our marketing skill.

Now let me go deeper into our core business in home loans and then take you through the other businesses that we operate. On the mortgage products, and I'm going to break this into two sections here, to do first the overall industry and then take you through each of Lending Tree loans and the exchange. The mortgage industry just like the industries that we already talked about are extremely large and extremely fragmented. There are over 40,000 mortgage providers in the United States and not a single one of them has a dominant market share. In fact the largest originator has a 6% of consumer direct origination share, and the top 15 have only a 37% share. This is a business that is very much dominated by local brokers, and we believe that going forward, that's a much harder model because of the increased regulations and the shrinking wholesale business that's happened with the recent credit crunch. We think that there's a huge opportunity for consumers to come on line and to find information from sites like Lending Tree.

Now, the market is down 36% from its peak, but it's still over $2 trillion. The mortgage market in the United States is a very large part of the U.S. economy. Now on the competition, there's been lots of people who have duplicated what Lending Tree has done. There's clearly direct lenders in their sites that provide advertising revenue, but at the end of the day, Lending Tree, we believe, is the only site that gives multiple offers by filling out a single form and we think that's a differentiated value proposition to the consumer.

Now let me show you how the Lending Tree exchange process works. As many of you you know, Lending Tree is simply an exchange between supply and demand. On the supply side, we have over 200 lender partners who join our exchange, many of whom have built their origination business around Lending Tree and been with us for many years. On the demand side, we have millions of customers who come to us through all kinds of different channels, come directly through our website, they find us through portals and partnerships, they see our online advertising, they see our search advertising, and they see us through a very robust affiliate network and when they come to our site, the process basically works like this--And about 2.8 million people come to us every single month, visit the site, they can click around and obviously find lots of content and lots of tools. A small percentage of them will then complete the loan request or what we call a qualification form, depending on the loan type, it's 60 to 80 questions that we're going to take them through. And we have a lead optimization process which determines whether a given consumer is going to go down the Lending Tree Network path or down Lending Tree Loans path and that's based on two factors. One is the profitability, but importantly that's based on also the customers choice. They can choose to opt in to one of these two processes and I'll take you through the key differences.

It goes down the Lending Tree Network path. We run what we call the filters. The filters are how the lenders profile the exact types of customers they want to see. They can use attributes such as state, loan type, loan amounts, loan to value, debt to income ratio, credit scores, to profiling the exact types of customers that they want. We then if it matches the criteria of more than five lenders we run our predictive model to figure out the best five lenders to send that consumer to based on historical conversion rates and historical customer satisfaction scores. We then transmit that information directly to lenders we've built over the years, interfaces directly into their systems so that we can then bring back offers from those lenders and display those to consumers via the web and the consumer can then select the offer that works best for them.

We make money with two fees on the network side, one is a transmit fee where we get a generally speaking a smaller fee for every lead that matches the lenders criteria and is sent to them and then a much larger fee for closing a loan. This keeps us aligned very closely with our lender network and as their conversion rates rise, we see higher expected revenue and our and our lender better returns on their marketing investment. And the key initiatives we're working on in our Operations are to increase the efficiency of our exchange. Trying to manage volume better for our lenders, try to make our pricing much more flexible and easier to change, improving our lender sales efforts, and putting a field based salesforce in place, and the net of it all is to drive up our expected value, our expected revenue for every customer who visits our site and then therefore, take that revenue and then reinvest it back in marketing and that's the core of how the Lending Tree Exchange works.

Now, shifting to Lending Tree Loans. Same first couple steps. Consumer visits the site, they fill out that same qualification form and then it goes through the lead optimization process. The customer selects that they want to go to the Lending Tree loans path. They see multiple offers as well. The difference is those offers come from wholesale lenders instead of retail lenders. We call those Investors just like any correspondent mortgage lender, we get pricing from them, we apply a markup to that. The difference is though that we actually show multiple wholesalers that the consumer can select from.

We then transmit that consumers information to one of our salespeople. We call them Loan Officers in the industry. They're either in Irvine, California or in Charlotte. Those loan officers engage in a sales process walking the consumer through all of the different options that they have, and some percentage of them will then turn into a loan application, an actual 1003 loan application and then lock in an actual rate with us. Once the rate is locked, we process the loan so we can go get it closed and then that loan is funded through our warehouse line which Matt will walk you through how that works and then ultimately those loans are sold. Loans get sold very quickly in this business, as I said, we are a correspondent mortgage lender. We don't keep loans on our books for more than 20 or 30 days , except in very rare instances which we can talk to you about. We don't service loans, and the risk that we have is lower than those types of risks you read about by big -- by some of the big mortgage companies taking writedowns, lenders or wholesalers can put loans back to us for early payment default, borrower fraud or an underwriting issue, but other than that, we've sold these loans.

The key for us is to boost conversion rates all throughout the funnel. We have to contact more customers, convert more leads into loans, watch our costs, and make sure that we get the right customers to Lending Tree loans versus the network so that we can service this business profitably in a very high consumer -- with very high consumer satisfaction, and all of the initiatives that we're working on right now are to increase that pull through in those percentages and that customer satisfaction, putting best-in-class technology throughout this process from contact center to processing to sales so we can boost our conversion rates and improve our customer satisfaction.

Next, I want to take you through the RealEstate.Com business. Realestate.Com is an absolutely fantastic website. We've been working on this for several years and I'm really pleased with the results of where we are. I think it's as good as anything that's out there on the web today. It is a listing centric website. We believe that the number one thing that consumers want to do when they're looking for a home is they want to search listings. They want to come online and get a great experience to figure out where they want to move to, how much home they can afford and find and compare all of the different features of a given home and that's the way our site is set up. But when you're looking for a home you also need other information that we have laid out here on the site. We show drive-by images so you can actually see what the neighborhood looks like. We have local information on schools and crime and other local data that the consumer might want. You can get home value estimates on millions of homes nationwide to know what a home might actually be worth or use the voyeuristic elements of the web and see what your home is worth or anybody that you might know.

You can get how to guides. We have a lot of our customers are first time home buyers and these guide books or these guide information and checklists help walk you through the process of actually buying a home or getting a mortgage. We obviously cross-sell the Lending Tree Mortgage products and all of this content is great for search engine optimization. We really believe that the search engines are the home page of this site, if you will, and we have lots of ways from the search engines that you can find this content. And the great thing about this business is that this site is linked to a very solid revenue and hopefully profit model over the long term.

There's three basic ways we make money at this business. And one of the other nice things about this business is theres huge synergy with Lending Tree. We are able to take leads that are coming in off Lending Tree, recommend them to our realtor network or to a realtor in our market and we're also able to show listings on Lending Tree, et cetera. So these two businesses work very nicely. The first of our revenue models is advertising. We've got very large traffic here, about 20 million page views per month. The traffic is growing quite nicely. Our advertising revenue, it is still the very early days of this but we think it could be significant over time, and we're putting some steps in place to start to grow this revenue. It's more of an optionality for the future, but it's an opportunity for us.

The second key area is lead generation. We sell leads to builders and then cooperate in the Real Estate Commission whenever they close a new home and have over 300 real estate brokers around the country where we can send them business where we aren't -- in markets that we don't operate in, they can close a transaction and pay us a referral fee. And then the largest and most important stream of revenue for us is RealEstate.Com realtors. We're building an internet enabled real estate brokerage business that we think is unique and that we think can grow significantly over time.

The way it works is when you click on the website and you make an inquiry about a property, that call comes into a call center. We then qualify that customer and then transfer that customer into a live agent in the field. We've got over 900 agents in 14 markets, and the key here is that because we're doing all of the marketing in a centralized manner, we get a generally speaking, a higher commission split than traditional real estate brokerages do and we operate our markets on a much lower fixed cost base.

Next, I want to spend a few minutes on some of our other businesses that we're launching as part of Tree.Com. We've grouped all of our non-home loan products on Lending Tree, as well as Get Smart, and the new sites that we're starting into this group and managing them by one group of great product and technology folks. And we've already had some great and early within in the first six months.

The Get Smart and the Lending Tree Quick Match business is significantly growing and we think has great opportunity to expand in new verticals. We've launched a new credit card product through a partnership with CreditCards.Com. We're testing auto insurance on getsmart.Com, and we're looking, we've got several credit products and credit reports and credit repair and we're looking to leverage that into a much deeper site around credit, and our other loan types that existed and we're putting some more effort behind those in particular, our auto product.

On the horizon, we're launched TuitionTree.Com, we're launching InsuranceTree.Com, we're launching as I said a new credit site and look for us to do more things in auto. And overall the strategy of this business is to leverage the Lending Tree brand, leverage the Lending Tree site traffic and leveraging our marketing scale, and the great thing is that our marketing advantage is is significant and I want to spend a few minutes just taking you through why we're so bullish on the Company's marketing advantage.

First is the Lending Tree brand and the fact that it's awareness is absolutely enormous at over 84% nationwide brand awareness, importantly though it's not just well known but it's uniquely positioned as a trusted advisor. This is a brand that's about consumer choice and consumer empowerment and we believe that extends nicely to other verticals as well. We're a world class marketer, with great online reach and the ability to operate across all offline media, and we believe that multiple products and multiple brands put through the same marketing engine increases our efficiency over time.

Just think about it. Let me give you a real live example. Imagine you're an individual insurance lead generation site and that type of a site would generally do SEO and organic traffic and search marketing. But then Lending Tree decides to enter the business with with a site like insurancetree.Com. We've got the Lending Tree brand. We have got the Insurance Tree brand. With we can cross-sell this from Lending Tree as well as Get Smart. We've got inquiries on RealEstate.Com where consumers would be open to a cross-sell on homeowners insurance. We've got more bargaining power with the portals. We can test offline media whether it's radio or print or TV , and we've got infrastructure to do technology and creative that we believe would be better than an individual small company doing it themselves. And at the end of the day, we believe the complexity is actually a good thing. The more channels, the more brand, the more products, and the more partners mean there are more variables that we can optimize across and for us, we think that will boost the ROI that we get on our marketing spend across all of these things and give us a competitive advantage in the future. And with that I'd like to turn it over to Matt Packey to take you through some numbers.

Matt Packey - *Tree.com - SVP, CFO*

Thanks, Doug. Good morning everyone. Thanks for joining us today. I'm going to hopefully walk you through some of the basics of the revenue and EBITDA graphs for lending and real estate. Just as a reminder those are toot segments that we break out.

Lending is defined as the Lending Tree loans business, the Lending Exchange businesses, and real estate includes the iNest, the Company owned brokerage also called RealEstate.Com Realtors as well as our Broker Network business.

As you can see in the charts I'm going to walk through lending first, so that is the light blue columns and then I'll get to real estate, the tan colored columns. On the revenue side, 2000 through 2004, we showed pretty impressive growth on the lending revenue, and then in 2005, took a significant step up in revenue. That's the time where we had acquired Home Loan Center, also now called Lending Tree Loans and we establish a pretty good baseline there and in 2006 improved on that significantly. What you see on the EBITDA side and for those of you who don't know, EBITDA is our earnings before interest, taxes, depreciation and amortization, also excludes non-cash stock comp. We have got a schedule in the appendix that defines all that and reconciles it back to operating income for you.

You can see in 2000 we took a pretty significant loss of $65 million, and that was our investment in the brand. Post-IPO, we have been a public Company before, and we spent quite a bit on our marketing efforts building the brand nationally, launching TV ads across the country, and by 2002 you can see we started to make our money. Revenue at that point had tripled from the early stages in 2000 and our marketing as a percentage of revenue dropped to 50%. In 2003 you'll note that our EBITDA was flat to 2002, even though we had a $50 million increase in revenue. That was principally due to significant expenses that we incurred for professional services in conjunction with the IAC acquisition of Lending Tree. Then in 2005, again, the revenue more than doubled to $364 million and that was our acquisition of Home Loan Center.

2006 we were really hitting on all cylinders. Our prices that investors were paying for our loans and I'll get into the mix of loans in a minute, were very high. We also had very good transmit metrics. You heard Doug talk about our QF's or our qualification form. Those are our loan requests and we can send those to multiple lenders, up to five in some cases and in the 2006 time frame we were really hitting out of the park. What we saw though on the expense side is some of our major partners like MSN and Yahoo! were also able to charge more to us for acquiring those leads, so on a per lead basis , we had to pay more to draw those consumers in. So you didn't see the great impact on 2006 EBITDA compared to 2005.

In 2007, most of you know what happened. Across the industry, the lendable product selection started to go away and what I mean by lendable are those non-conforming products, the loan products that don't meet the Freddie Mac and Fannie Mae guidelines, the subprime loans, a lot of home equity went away, and our margins deteriorated just like everybody else's but most significant note that I want you to walk away with is is in 2007 we took out over $110 million of annualized costs excluding our marketing spend, so that is a step change which got us back to breakeven for the lending segment in 2008.

Stepping into real estate, you can see early on in 2001, 2002, and '03, that was our broker network business. We did show some significant growth there year-over-year but we did not break out EBITDA at that point in time. In 2005 and 2006 we started to leverage into our Company owned brokerage business and that is the principal focus of the business going forward.

I want to shift now a little bit to our key metrics for the lending business on the next slide. You'll see the bars represent our transmitted loan requests and the lin represents our revenue transmit in the upper left-hand side, and then on the right hand side the bars represents the number of closed loans, this includes both Lending Tree loans as well as the loans closed through the exchange, and then our revenue per closing. In 2008, our revenue per closing did jump from 2007 which is a bit unusual. This increase was really driven by an accounting change and we can get into that in the Q&A if you care to. The bottom graph shows the value of our closed loans and as you you would expect in 2007 and 2008, the value of the closed loans has decreased because of the market conditions.

What I'd like to jump into now is a little bit of the loan mix that I referred to earlier, which is the loans sold by type, and this is principally for Lending Tree loans. This is where a lot of the risk exposure is highlighted in the industry but what I want to point out for Lending Tree loans is the minimum risk that we have because of the types of loans that we've originated over time and the improved quality that we started to originate in late '07 and early '08, you can see in 2005 and 2006 the non-conforming products, those in the peach, light blue and green colors, the subprime, the home equity, and the Alt A products were a more significant percentage of our originations, but we've stopped originating most of those products in late Q2, early Q3 of 2007 and for the remainder of 2007 and early 2008 all we are originating are conforming loans and again those loans that meet the Freddie Mac, Fannie Mae guidelines, there are strict controls over those, underwriting guidelines and a bit of Alt A which is currently all FHA loans again, the government underwritten loans.

So our exposure to the subprime mess and being in the second lien position on a home equity loan has been mitigated by our improving quality of loans and the fact that we really never had a significant portion of our originations in those categories. You can see on the chart on the right, the value of our loans sold compared to the value of the losses we've incurred to date is very very small, so our experience to date has been minimum at a very small level and while we continue to get some losses in for those historical periods, it is a very small number that comes in each period.

One last graph on the real estate revenue drivers, similar to Lending, what we disclose are the number of closed units with the peach bars that you see there, and then the revenue per closing is the line. The line has improved over time as we added iNest in 2005 and then have continued to emphasize the Company owned brokerage in 2006, '07 and early '08. We earned a much higher proportion of the commission from the iNest and Company owned brokerage business, so although our number of closing units have gone down, the revenue per transaction has gone up because of the nature of those businesses. At this time I think we'll pause and set up for questions and answers.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (OPERATOR INSTRUCTIONS) Our first question come from the line of Jeetil Patel of Deutsche Bank.

Jeetil Patel - *Deutsche Bank - Analyst*

A couple of questions. On your loans business it's about a 75 million to $80 million annualized run rate on a revenue basis. Can you talk about what kind of size of scale of business your current infrastructure and headcount can support right now, just to try to understand I guess what kind of a margin leverage you have as you move ahead over the next couple of years? Second, on the exchange side, can you talk about what types of EBITDA margins you're carrying currently in the business and what was the peak if you go back over the last couple of years and the exchange side of the equation?

Doug Lebda - *Tree.com - Chairman, CEO*

Let me answer those at a high level first and then turn it over to Matt to take you through the numbers that we can disclose. On LTL, we are constantly in a process of matching the headcount and the infrastructure to the right level of lead volume, we've had significant headcount reductions in the past, and I think though, the thing I would say is going forward we would expect that our leverage would improve because of the application of technology. We're looking at -- we've put a new technology inside of the call center, we're putting in new technology to aid our sales process to make sure calls get transferred, people get followed up with appropriately through the very long process from qualification form to actually closing, we're looking at ways we can partner with much bigger technology providers on outsourcing and working with others on the processing front, and then on the exchange side, same thing is true there. The biggest note on the exchange piece is that the biggest driver of that margin will be the marketing margin. Those margins have come down and where we've been in this cycle over the past couple of years of cutting our marketing spend because online placements in particular go unprofitable as your conversion rates from the lenders go down and your margins go down from the lenders, so we've been in a bit of a negative cycle on the marketing piece; however that's where we believe that by diversifying and cross-selling other products on the back of the Lending Tree qualification form, by having more of a web 2.0 site to engage consumers in a much broader way, that we can improve our revenue per customer and get our margins back to something that's acceptable where we can then invest money back in marketing to drive customers in. Matt, do you want to do some numbers there?

Matt Packey - *Tree.com - SVP, CFO*

Yes, I wouldn't give specific numbers on the margins by business; however I would agree that our capacity at Lending Tree Loans in particular has a ways to go before we have to add anymore infrastructure. We do have the physical facilities and the technology infrastructure in place and Jeetil, I think as we talked about a week or so ago, we did take out a considerable amount of headcount, loan officers as well as layers of management at Lending Tree and Lending Tree Loans that we would not add back in the case if the market turns for us and we start to add capacity. The technology that Doug spoke about will help us to leverage getting the leads to the right loan officers, getting them more leads on a daily, weekly, monthly basis, and to the extent we have to add additional costs there I would say it will be the variable costs in the scope of adding loan officers for that type of capacity.

On the real estate side, what we've seen is the Company owned brokerage really establishing a baseline per market on how much it has to invest to set out that market up front and then it's really all gravy or additional margin on top of that, variable spend if they have to to drive the leads in so after they hit that sort of critical mass of leads coming in, they're paying for their infrastructure costs, all of the agents on the real estate side, the Company owned brokerage real estate side are, it's all variable costs, they're all commission based, they aren't on payroll. So as the market turns and we see more leads coming in that we can turn into transactions I expect our margins to improve on both lending and real estate businesses.

Jeetil Patel - *Deutsche Bank - Analyst*

As a follow-up just on the lending side of the equation, you right sized your marketing spend for the environment that we're in but I guess as we start to bottom out in the industry, not sure when that is, but do you think that, or start to improve, do you think that you'll start to, or step up your marketing efforts more aggressively at that point? Is that the strategy that you're looking at employing once you start to see an uptick or at least some stability in the marketplace or kind of any sort of incremental improvement in the business?

Doug Lebda - *Tree.com - Chairman, CEO*

I would say partially. What we target on our marketing spend is we look at the variable marketing margin against a given placement for a given product and those are the, that's what we look at internally. We obviously don't disclose those numbers because they're very proprietary but we're constantly looking at our variable marketing margin. If there are ways to spend more and do it at our target margin, target marketing margin, we will do so. I don't want you to think that we sort of spent foolishly, we'll spend only to that variable marketing margin, we've learned how to optimize that over 10 plus years.

At the same time a big focus for the Company is we need to get more organic traffic. We need to be much better at SEO, we need to be much better at driving end customers, without having to spend so aggressively and that's where our new site that we're going to launch at the end of July, early August on LendingTree.Com will get a lot better as well as several new tools that we're planning for some time in the Fall which will start to enable repeat purchases and use much more of the community and web 2.0 features of the web that will enable Lending Tree to hopefully boost its organic traffic and not have to spend as much as we historically have in the past.

Jeetil Patel - *Deutsche Bank - Analyst*

Thanks.

Operator

Thank you, sir. Our next question comes from the line of [Brian Fensky] with Lehman Brothers. Please go ahead.

Brian Fensky - *Lehman Brothers - Analyst*

Good morning. Thanks for taking the question. I have a couple questions. First, given the thinner margins on the conforming type of loans and the move away from subprime, does the, do the margins now sort of justify even being in this business, meaning, isn't there still tremendous risk or exposure to having some of those bad loans put back to and if so, I guess are there any reserves you guys are currently setting aside for any of those older vintage loans getting put back to you in second half of '08 or '09? I guess that's one part of the question. And then second, on the real estate business, can this business be profitable in sort of EBITDA terms without revenue growth? It looks like the revenue trajectory is not really, we might not see growth in '08, at least the way I'm looking at it. I'm just wondering are there costs still to get rid of in '08 to make this profitable? Thanks.

Doug Lebda - *Tree.com - Chairman, CEO*

Let me take, I'm going to take the Lending Tree Loans question and then have Matt answer the margin question on that and then we'll come back to and then I'll answer your real estate question. We believe that even though the conforming margins are tighter, clearly, that we should be in the Lending Tree loans business. We see that in several segments of lead flow, again, with the consumers opt in and their desire to go to Lending Tree Loans that we can actually have higher margins than if those leads went to the exchange. In addition, we believe that we should take a shot at improving the technology, improving the service, and streamlining our process there, it's a much smaller business than it used to be but we believe we should take a shot at that because the notion of giving the consumer choice but having a single point of contact and be able to control the process all the way through to closing, we think could be potentially a better experience than taking a lead, sending it to five lenders and letting the consumer and the lender sort of work that out offline.

On the put back issue, there is some risk clearly but as Matt took you through we think those risks are minimal and he can answer that so but at the same time I would say there's full optionality on this business, if we can't get the business to sort of a sustainable margin, despite lower margins, there's no reason we have to be in it, but we think it's deserving of a shot and we think that the initiatives are happening at the right pace right now, so we would like to take that shot.

Matt Packey - *Tree.com - SVP, CFO*

And Jeff, just to elaborate a little bit more on the break down of the conforming margins being thin and the risk of the loan losses, we do look at the loan losses by sort of we call them segments or loan types, and just historically the conforming loan losses or experiences have been very very minimal. Most of our experience and exposure has been with the subprime and the equity products. Products where we were in a second lien position where we had exposure from early payment default, and the nature of our shift to conforming and FHA has helped us in that regard. Now, we have set up reserves for the historical loans that we've originated, we've publicly disclosed in 2007 that was about $19 million provision that we took and that compares to about $6.5 million for 2006. We believe those reserves are adequate for our exposure for those historical periods where we were originating the non-conforming loans and going forward, we will continue to evaluate the reserves, we continue to look at our loss trends. The losses that are coming in now are for those older loans, we haven't really had exposure or experience to the most recent loan originations, late '07, early '08.

Doug Lebda - *Tree.com - Chairman, CEO*

And then real estate what you're seeing over the last year and a half is a bit of a mix shift on the revenue. The RealEstate.Com realtors business has showed continued month over month growth. We've exited a subscription based business where we sold leads to agents and significantly downsized our iNest or our builder business, but you do, to get the profitability you do need to show some continued growth in the RealEstate.Com Realtors business. That said, we've taken a lot of costs out of there in Charlotte and some of our markets are actually showing kind of breakeven to positive growth despite this real estate market. They aren't all there yet, but so you do need to get some revenue growth in that business, but it's not crazy.

Brian Fensky - *Lehman Brothers - Analyst*

Thank you very much.

Operator

Thank you, sir. Our next question comes from the line of Jeffrey Lindsay with Sanford Bernstein. Please go ahead.

Jeffrey Lindsay - *Sanford Bernstein - Analyst*

Well, thank you. Just like to ask about the new products, basically the dynamics of the student loans, the insurance tree and the credit card products. Could you give us some indication of the profitability of these products relative to say Lending Tree and real estate and then give us an indication of what stage you're at and how long before they come to what you'd really recognize as scale, from your definition and what are the key factors in this, please?

Doug Lebda - *Tree.com - Chairman, CEO*

Sure. Well, one thing I would say is we clearly can't give a sense of profitability or guidance yet on the profitability of these products. I can say our attitude is basically this. We're going to test lots of things. We can get into a product like Insurance Tree or Tuition Tree with a very small investment, a couple few hundred thousand dollars in internal site development, we've got a fantastic team that can test and prototype very quickly at a very low cost. Insurance Tree right now is not live. We are doing some insurance tests on the site, on Get Smart and on Lending Tree to see what the conversion rate and what the consumer take rates on those kinds of things are going to be. The credit card product right now is through a partnership with CreditCards.Com where we get an XML feed and then use them effectively to power the listings of our search engine and all of these will only show scale to the extent we can profitably market them, and profitably drive volume to make them be very interesting cross-sells and incremental new streams of revenue but at the end of the day we've got to be able to put these in our marketing engine and drive people from specific placements on the web back to these specific lending pages in addition to the cross-sell, so it's early days. They're more than ideas but they aren't yet generating substantial revenue that we're taking to the bank.

Jeffrey Lindsay - *Sanford Bernstein - Analyst*

Could I just ask, are you thinking years for these, is it months or years or what are you thinking?

Doug Lebda - *Tree.com - Chairman, CEO*

I would say it's certainly quarters, not years. Every one of these things can, for each vertical we look at if you look at things that are natural extensions of Lending Tree or Get Smart or RealEstate.Com and by the way this is kind of what we did with real estate and I alluded to this in the presentation but when we got into the real estate business we didn't just decide in the real estate business, we saw consumers filling out purchase mortgage loan Q-apps on Lending Tree, where many times first time home buyers hadn't selected a realtor so we said well gosh if we had a realtor network we could cross-sell that product on Lending Tree and then we decided to build that out as a standalone business. The same thing is true with credit cards and student loans and homeowners insurance and other insurance products as well. So the Lending Tree relationship just gives you a natural leg up, a way to get the -- to kind of prime the pump if you will but each of these is just months or quarters.

Jeffrey Lindsay - *Sanford Bernstein - Analyst*

Thank you.

Operator

Thank you, sir. Our next question comes from the line of Mark Mahaney with Citi Investment Research. Please go ahead.

Mark Mahaney - *Citi Investment Research - Analyst*

Great, thanks. Doug, any comments on the rise to date of some of these alternative models that are not lead generation based? I'm thinking particularly versus the Lending Tree model and whether you think that they could have an impact if there are structural issues with those models or not? And then secondly just in terms of guidance and maybe a question to both of you, do you think you'll have any change in how you would approach giving financial guidance to the -- to Wall Street, would you wait on more stable macro environment or would you just be consistent with how interactive has treated that in the past? Thank you.

Doug Lebda - *Tree.com - Chairman, CEO*

Sure. Some of the other models that have come to the fray are one are advertising clearly sites like Bank Rate and others that do a good job of basically selling adds against consumer interest in these products, you have Zillo launching a free product in lead generation and monetizing that via advertising as well. My view on "alternative models" are basically this. At the end of the day we're all in the advertising business. Our realtors and our lenders are paying us for leads and whether you pay for a new customer on a transmit fee basis and a closed loan fee basis or we do or whether it's a lead fee basis like it is let's say Lower My Bills or a Lending Tree Quick Match or a Get Smart, or whether it's a banner ad and then a click through and then they come to your site as it would be with let's say CreditCards.Com or Zillo or somebody else, at the end of the day, the lender, the advertiser is paying for a new customer and they're doing that with our sites as well.

Could these have, could these get traction? Absolutely. They're clearly competitors. We think at the end of the day, with our brand, and our ability to scale, that we can compete. What some of these sites have that we don't yet have is the ability to generate free inorganic traffic at significant scale. As I said we're not yet good at that on LendingTree.Com. Our SEO, the structure of our site is not yet good for SEO , that will be fixed in the next month and then some of these new tools and new content will be rolling out in succession throughout the Fall. We'll hope to fix some of that so we're not so dependent on marketing.

Switching gears in terms of guidance, we're going to get through the spin and then evaluate our posture on guidance but I would err the philosophy of, without disclosing any sort of competitive information that might help our competitors we generally like broad range guidance. We did that before from 2000 to 2003. We generally like to tell people what we're going to go do and then endeavor to do it so I think we'll take probably a slightly different approach than how IAC has taken that in the past, but we have to work through the specifics post-spin.

Mark Mahaney - *Citi Investment Research - Analyst*

Thank you, Doug.

Operator

Thank you, sir. Our next question comes from the line of Jeff Shelton with Natixis. Please go ahead.

Alan Gould - *Natixis - Analyst*

Yes, hi, this is Alan Gould with Jeff Shelton here. A couple of questions. First, Doug, can you give us some idea of what the availability of the warehouse lines are in this current environment? And secondly how will the Company be different as a stand alone Company versus under the IAC umbrella?

Matt Packey - *Tree.com - SVP, CFO*

This is Matt. I'll take the first one on the warehouse lines. Currently we have two in place that give us $100 million of capacity and I guess I would indicate first that that's a really rolling capacity for us, so intramonth, we will be putting loans through that, the warehouse line process, so we can originate up to 200 million, $225 million of loans during a month, so currently that's sufficient for us. We are evaluating two, three other warehouse lenders. We wouldn't add all of those at the same time. I'm sure as most of you know there's committment fees associated with those warehouse lines so we don't want to increase our capacity and have a significant number of new lenders or more capacity than we need and end up paying fees on those. So we'll continue to evaluate our relationships with the current warehouse lenders and adding one, maybe two more depending on the arrangements and the pricing that they have in place.

Doug Lebda - *Tree.com - Chairman, CEO*

And then how I think we'll be different than we were under IAC, and this is by no means any -- in many ways what IAC has done with the amount of capital they've given us and the ability to invest I think IAC has set us up extremely well to spinoff and be our own Company. One way that I think it will be different though is because IAC , under the IAC umbrella, we've put significant investments in particular into the real estate business, we're certainly hopeful that those very large investments are behind us, and that in the future, we can invest and test much more selectively than we have as we were putting $15 million plus a year into the real estate business. We don't see for example, something like that happening, our focus right now is on getting the business to profitability.

Culturally, I think there will be a difference as well and this isn't because of IAC or not because of IAC. I think it's just a different growth area of the Company. Over the past few years, we were building this business up until the credit market meltdown. We had the model in place with Lending Tree Loans and our marketing scale to where we were building the Company with an amount of infrastructure and expense and cost to be a major major player in mortgage that obviously cost us a lot of money. The world has changed. We've made a lot of changes in management. We've made a lot of changes in technology. We've made a lot of changes in our organization to return this business to a much more nimble, entrepreneurial organization at a much lower cost base, to diversify into new streams of revenue, and to be much more obviously mindful of the amount of expense we have or the amount of expense we can afford and then to try to grow our strategy on a much, I would say tighter budget, that is just partially driven by the discipline of being a public market Company and it's also appropriate for the market that we're operating in which is just different than it was a couple years ago when IAC was operating the business.

Alan Gould - *Natixis - Analyst*

Do you think there will be a difference in a perspective of looking at M&A opportunities? Would you like to take advantage of some of the depressed valuations out there now?

Doug Lebda - *Tree.com - Chairman, CEO*

I don't think immediately. The way I think of M&A and obviously I wouldn't comment specifically on M&A, that is one thing we'll do very consistently with IAC, but I do believe that if there are companies or groups of management teams that have figured out a business but maybe they don't have the brand, the infrastructure or marketing capability that we can provide those types of folks a jump start but I think those would be very small tuck-in opportunities and I don't see us doing, I'd never say no, but I don't see us doing any of that at the present time. I think our focus has to be on just getting the business right and getting it spun and then looking at that. One change we are going to make which I know is in the Form 10, I believe in, and we used this very effectively in the past in using stock options to try to incent larger percentages of the employees to think like owners and we certainly plan on doing that and hopefully use that as a tool to get an employee base that's incredibly engaged and fired up. We have time for one more question.

Operator

Thank you, sir. And our final question comes from the line of George Askew with Stifel Nicolaus.

George Askew - *Stifel Nicolaus - Analyst*

Yes, thanks for taking the question. George Askew here. Can you just sort of address without giving away any secrets, your goals regarding some of the proprietary content or ways of driving free traffic, you mentioned content. Is it proprietary journalistic type content you look toward or is it data aggregation? What kind of, what should we look for there?

Doug Lebda - *Tree.com - Chairman, CEO*

I'd say a couple things. One is the content on our site is organized very very poorly right now, so that the search engines can actually find it. Without going into all of the technical details because we've been so focused on tracking every site that traffic is coming in from and sending it to Lending Tree, for example, one small example is the search engines view us as if we've got literally tens of different sites and not as one site so all that traffic isn't actually counted. That's all getting reorganized in our new business.

If you look at the way real estate, for example, has done a great job at getting its SEO and its free traffic boosted and using the search engine as the home page, we're going to take a lot of the same practices and move them over. And then from there, we're working on several tools that consumers can use to use Lending Tree for things other than just filling out a qualification form, and I don't want to necessarily go into the specifics yet but it will be things like enabling consumers to opt in to more of a lifetime of services and checking in with us and keeping their loans up-to-date and seeing options based on different triggers that they want to do, being able to use us as more of a directory for people in the industry and to see offers that make sense for them based on their particular situation. The ability to compare offers that they're seeing offline and from other providers to what is sensible and for them, and so hopefully, these types of tools, they can be syndicated, they can exist as widgets, they could be sent via e-mail and enable the consumer to get something other than just a qualification form. So I think the combination of SEO practices, organizing our current site and then these new tools we're working on will help, but there's, the list is incredibly long.

And with that, I just have some short closing are remarks. I want to thank you all for your time today. We'll obviously see many of you on not only the road show, we're happy to have meetings with you and we're looking forward very much to taking everything that we've done well with Lending Tree, everything we've done well with RealEstate.Com, building upon that as a separate public Company called Tree.Com and turning this into an in dispensable ally for consumers across all of these products and hopefully one that is lasting and enduring and a great Company for many years to come. Thank you very much.

Operator

Ladies and gentlemen, this concludes the Tree kickoff conference call. Thank you for your participation. You may now disconnect. Thank you for using AT&T conferencing. Have a pleasant day.