
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2014

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File No. 001-34063



TREE.COM, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-2414818
(I.R.S. Employer
Identification No.)

11115 Rushmore Drive, Charlotte, North Carolina 28277
(Address of principal executive offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 5, 2014 there were 11,320,449 shares of the Registrant's common stock, par value \$.01 per share, outstanding, excluding treasury shares.

TABLE OF CONTENTS

	<u>Page Number</u>	
<u>PART I—FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u><i>Financial Statements</i></u>	3
<u>Item 2.</u>	<u><i>Management's Discussion and Analysis of Financial Condition and Results of Operations</i></u>	22
<u>Item 3.</u>	<u><i>Quantitative and Qualitative Disclosures About Market Risk</i></u>	29
<u>Item 4.</u>	<u><i>Controls and Procedures</i></u>	30
<u>PART II—OTHER INFORMATION</u>		
<u>Item 1.</u>	<u><i>Legal Proceedings</i></u>	30
<u>Item 1A.</u>	<u><i>Risk Factors</i></u>	30
<u>Item 2.</u>	<u><i>Unregistered Sales of Equity Securities and Use of Proceeds</i></u>	31
<u>Item 5.</u>	<u><i>Other Information</i></u>	32
<u>Item 6.</u>	<u><i>Exhibits</i></u>	32

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

TREE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	<i>(in thousands, except per share amounts)</i>	
Revenue	\$ 40,036	\$ 28,080
Costs and expenses:		
Cost of revenue <i>(exclusive of depreciation shown separately below)</i>	1,665	1,356
Selling and marketing expense	27,449	17,255
General and administrative expense	6,133	6,556
Product development	1,932	1,205
Depreciation	755	885
Amortization of intangibles	28	43
Restructuring and severance	202	(2)
Litigation settlements and contingencies	7,707	1,028
Total costs and expenses	45,871	28,326
Operating loss	(5,835)	(246)
Other income (expense):		
Interest expense	—	(7)
Loss before income taxes	(5,835)	(253)
Income tax benefit (expense)	1	(20)
Net loss from continuing operations	(5,834)	(273)
Discontinued operations:		
Gain from sale of discontinued operations, net of tax	—	98
Loss from operations of discontinued operations, net of tax	(574)	(2,542)
Loss from discontinued operations	(574)	(2,444)
Net loss	\$ (6,408)	\$ (2,717)
Weighted average shares outstanding:		
Basic	11,142	10,967
Diluted	11,142	10,967
Net loss per share from continuing operations:		
Basic	\$ (0.52)	\$ (0.02)
Diluted	\$ (0.52)	\$ (0.02)
Net loss per share from discontinued operations:		
Basic	\$ (0.05)	\$ (0.22)
Diluted	\$ (0.05)	\$ (0.22)
Net loss per share attributable to common shareholders:		
Basic	\$ (0.58)	\$ (0.25)
Diluted	\$ (0.58)	\$ (0.25)

The accompanying notes to consolidated financial statements are an integral part of these statements.

TREE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share amounts)

	March 31, 2014	December 31, 2013
	<i>(Unaudited)</i>	
ASSETS:		
Cash and cash equivalents	\$ 89,499	\$ 91,667
Restricted cash and cash equivalents	24,062	26,017
Accounts receivable, net of allowance of \$544 and \$408, respectively	13,373	12,850
Prepaid and other current assets	1,611	1,689
Current assets of discontinued operations	527	521
Total current assets	129,072	132,744
Property and equipment, net	5,652	5,344
Goodwill	3,632	3,632
Intangible assets, net	10,656	10,684
Other non-current assets	103	111
Non-current assets of discontinued operations	100	129
Total assets	\$ 149,215	\$ 152,644
LIABILITIES:		
Accounts payable, trade	\$ 1,387	\$ 4,881
Deferred revenue	25	49
Accrued expenses and other current liabilities	31,200	23,265
Current liabilities of discontinued operations (Note 14)	31,905	32,004
Total current liabilities	64,517	60,199
Other non-current liabilities	210	334
Deferred income taxes	4,849	4,849
Non-current liabilities of discontinued operations	306	254
Total liabilities	69,882	65,636
Commitments and contingencies (Note 11)		
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 12,675,487 and 12,619,835 shares, respectively, and outstanding 11,306,555 and 11,250,903 shares, respectively	127	126
Additional paid-in capital	905,880	907,148
Accumulated deficit	(813,941)	(807,533)
Treasury stock 1,368,932 and 1,368,932 shares, respectively	(12,733)	(12,733)
Total shareholders' equity	79,333	87,008
Total liabilities and shareholders' equity	\$ 149,215	\$ 152,644

The accompanying notes to consolidated financial statements are an integral part of these statements.

TREE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	
	Total	Number of Shares	Amount			Number of Shares	Amount
	<i>(in thousands)</i>						
Balance as of December 31, 2013	\$ 87,008	12,620	\$ 126	\$ 907,148	\$ (807,533)	1,369	\$ (12,733)
Comprehensive loss:							
Net loss for the three months ended March 31, 2014	(6,408)	—	—	—	(6,408)	—	—
Comprehensive loss	\$ (6,408)						
Non-cash compensation	1,618	—	—	1,618	—	—	—
Dividends	(8)	—	—	(8)	—	—	—
Net-share settlement of stock-based compensation, net of issuance of common stock upon stock option exercise	(2,877)	55	1	(2,878)	—	—	—
Balance as of March 31, 2014	\$ 79,333	12,675	\$ 127	\$ 905,880	\$ (813,941)	1,369	\$ (12,733)

The accompanying notes to consolidated financial statements are an integral part of these statements.

TREE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	<i>(in thousands)</i>	
Cash flows from operating activities attributable to continuing operations:		
Net loss	\$ (6,408)	\$ (2,717)
Less: Loss from discontinued operations, net of tax	574	2,444
Net loss from continuing operations	(5,834)	(273)
Adjustments to reconcile net loss from continuing operations to net cash provided by (used in) operating activities attributable to continuing operations:		
Loss on disposal of fixed assets	—	24
Amortization of intangibles	28	43
Depreciation	755	885
Non-cash compensation expense	1,616	1,433
Deferred income taxes	(1)	18
Bad debt expense	186	29
Changes in current assets and liabilities:		
Accounts receivable	(969)	(2,085)
Prepaid and other current assets	(576)	(2,348)
Accounts payable, accrued expenses and other current liabilities	4,520	(2,520)
Income taxes payable	658	(430)
Deferred revenue	(24)	(6)
Other, net	(115)	(186)
Net cash provided by (used in) operating activities attributable to continuing operations	244	(5,416)
Cash flows from investing activities attributable to continuing operations:		
Capital expenditures	(1,069)	(587)
Decrease in restricted cash	1,954	386
Net cash provided by (used in) investing activities attributable to continuing operations	885	(201)
Cash flows from financing activities attributable to continuing operations:		
Payments related to net-share settlement of stock-based compensation, net of proceeds from exercise of stock options	(2,877)	(671)
Dividends	(81)	—
Net cash used in financing activities attributable to continuing operations	(2,958)	(671)
Total cash used in continuing operations	(1,829)	(6,288)
Net cash used in operating activities attributable to discontinued operations	(339)	(576)
Total cash used in discontinued operations	(339)	(576)
Net decrease in cash and cash equivalents	(2,168)	(6,864)
Cash and cash equivalents at beginning of period	91,667	80,190
Cash and cash equivalents at end of period	\$ 89,499	\$ 73,326

The accompanying notes to consolidated financial statements are an integral part of these statements.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION**Company Overview**

Tree.com, Inc. ("Tree.com" or the "Company") is the parent of LendingTree, LLC, which owns several brands and businesses that provide information, tools, advice, products and services for critical transactions in consumers' lives. Its family of brands includes: LendingTree®, GetSmart®, LendingTree AutosSM, LendingTree EducationSM, LendingTree Home ProsSM and InsuranceTree®. Together, these brands serve as an ally for consumers who are looking to comparison-shop for loans, education programs, home services providers and other services from multiple businesses and professionals that will compete for their business.

The consolidated financial statements include the accounts of Tree.com and all its wholly-owned entities. Intercompany transactions and accounts have been eliminated.

Discontinued Operations

The businesses of RealEstate.com and RealEstate.com, REALTORS® (which together represent the former Real Estate segment) and LendingTree Loans are presented as discontinued operations in the accompanying consolidated balance sheets and consolidated statements of operations and cash flows for all periods presented. The notes accompanying these consolidated financial statements reflect our continuing operations and, unless otherwise noted, exclude information related to the discontinued operations.

Real Estate

On March 10, 2011, management made the decision and finalized a plan to close all of the field offices of the proprietary full-service real estate brokerage business known as RealEstate.com, REALTORS®. The Company exited all markets in which it previously operated by March 31, 2011. In September 2011, the remaining assets of RealEstate.com were sold, which consisted primarily of internet domain names and trademarks, for \$8.3 million and recognized a gain on sale of \$7.8 million.

LendingTree Loans

On May 12, 2011, the Company entered into an asset purchase agreement with Discover Bank ("Discover"), a wholly-owned subsidiary of Discover Financial Services, as amended on February 7, 2012, for the sale of substantially all of the operating assets of its LendingTree Loans business. The sale was completed on June 6, 2012.

The asset purchase agreement as amended provided for a purchase price of approximately \$55.9 million in cash for the assets, subject to certain conditions. Of this total purchase price, \$8.0 million was paid prior to the closing, \$37.9 million was paid upon the closing and the contingent amount of \$10.0 million was paid and recognized as a gain from sale of discontinued operations in the second quarter of 2013.

Discover generally did not assume liabilities of the LendingTree Loans business that arose before the closing date, except for certain liabilities directly related to assets Discover acquired. Of the purchase price paid, as of March 31, 2014, \$18.1 million is being held in escrow pending resolution of certain actual and/or contingent liabilities that remain with the Company following the sale. The escrowed amount is recorded as restricted cash at March 31, 2014.

Separate from the asset purchase agreement, Tree.com agreed to provide certain marketing-related services to Discover in connection with its mortgage origination business for approximately seventeen months following the closing, or such earlier point as the agreed-upon services are satisfactorily completed. The services were satisfactorily completed in the second quarter of 2013. Discover remains a network lender on the Company's mortgage exchange following completion of the services.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements as of March 31, 2014 and for the three months ended March 31, 2014 and 2013, respectively, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of our financial position for the periods presented. The results for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014, or any

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

other period. The accompanying consolidated balance sheet as of December 31, 2013 was derived from audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K"). These consolidated financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. Accordingly, they should be read in conjunction with the audited financial statements and notes thereto included in the 2013 Form 10-K.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

Management is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with GAAP. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements, including discontinued operations, include: loan loss obligations; the recoverability of long-lived assets, goodwill and intangible assets; the determination of income taxes payable and deferred income taxes, including related valuation allowances; restructuring reserves; various other allowances, reserves and accruals; and assumptions related to the determination of stock-based compensation.

Certain Risks and Concentrations

Tree.com's business is subject to certain risks and concentrations including dependence on third-party technology providers, exposure to risks associated with online commerce security and credit card fraud.

Financial instruments, which potentially subject us to concentration of credit risk at March 31, 2014, consist primarily of cash and cash equivalents and accounts receivable, as disclosed in the consolidated balance sheet. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation insurance limits, but are maintained with quality financial institutions of high credit. The Company generally requires certain network lenders to maintain security deposits with the Company, which in the event of non-payment, would be applied against any accounts receivable outstanding.

Due to the nature of the mortgage lending industry, interest rate increases may negatively impact future revenue from the Company's lender network.

Lenders participating on the Company's lender network can offer their products directly to consumers through brokers, mass marketing campaigns or through other traditional methods of credit distribution. These lenders can also offer their products online, either directly to prospective borrowers, through one or more online competitors, or both. If a significant number of potential consumers are able to obtain loans from participating lenders without utilizing the Company's service, its ability to generate revenue may be limited. Because the Company does not have exclusive relationships with the lenders whose loan offerings are offered on its online marketplace, consumers may obtain offers and loans from these lenders without using its service.

The Company maintains operations solely in the United States.

Litigation Settlements and Contingencies

Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements, in addition to legal fees incurred in connection with various patent litigation claims the Company pursues against others.

Recent Accounting Pronouncements

There are no recently issued accounting pronouncements that were adopted during the quarter ended March 31, 2014 or that are expected to impact the Company's consolidated financial statements.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3—RESTRICTED CASH

Restricted cash and cash equivalents consists of the following (*in thousands*):

	March 31, 2014	December 31, 2013
Cash in escrow for surety bonds	\$ 2,453	\$ 2,453
Cash in escrow for corporate purchasing card program	400	400
Cash in escrow for sale of LendingTree Loans	18,118	18,117
Cash in escrow for earnout related to an acquisition ^(a)	—	1,956
Cash restricted for loan loss obligations	3,051	3,051
Other	40	40
Total restricted cash and cash equivalents	\$ 24,062	\$ 26,017

(a) During the first quarter of 2014, the Company reached and executed a settlement with the disputing party on the earnout related to an acquisition, upon which \$2.0 million of cash previously held in escrow was released, of which \$1.0 million was paid out to the disputing party. This settlement had no impact on the results of operations for the three months ended March 31, 2014.

NOTE 4—GOODWILL AND INTANGIBLE ASSETS

The balance of goodwill and intangible assets, net is as follows (*in thousands*):

	March 31, 2014	December 31, 2013
Goodwill	\$ 486,720	\$ 486,720
Accumulated impairment losses	(483,088)	(483,088)
Net goodwill	\$ 3,632	\$ 3,632
Intangible assets with indefinite lives	\$ 10,142	\$ 10,142
Intangible assets with definite lives, net	514	542
Total intangible assets, net	\$ 10,656	\$ 10,684

Goodwill and Indefinite-Lived Intangible Assets

The Company's goodwill is associated with its one reportable segment, lending. Intangible assets with indefinite lives relate to the Company's trademarks.

Intangible Assets with Definite Lives

Intangible assets with definite lives relate to the following (*dollars in thousands*):

	Cost	Accumulated Amortization	Net
Purchase agreements	\$ 236	\$ (224)	\$ 12
Technology	25,194	(25,194)	—
Customer lists	6,682	(6,181)	501
Other	1,517	(1,516)	1
Balance at March 31, 2014	\$ 33,629	\$ (33,115)	\$ 514

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Cost	Accumulated Amortization	Net
Purchase agreements	\$ 236	\$ (212)	\$ 24
Technology	25,194	(25,194)	—
Customer lists	6,682	(6,166)	516
Other	1,517	(1,515)	2
Balance at December 31, 2013	\$ 33,629	\$ (33,087)	\$ 542

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on balances as of March 31, 2014, future amortization is estimated to be as follows (*in thousands*):

	Amortization Expense
Remainder of current year	\$ 58
Year ending December 31, 2015	60
Year ending December 31, 2016	60
Year ending December 31, 2017	60
Year ending December 31, 2018	60
Thereafter	216
Total intangible assets with definite lives, net	\$ 514

NOTE 5—PROPERTY AND EQUIPMENT

The balance of property and equipment, net is as follows (*in thousands*):

	March 31, 2014	December 31, 2013
Computer equipment and capitalized software	\$ 19,550	\$ 18,130
Leasehold improvements	2,096	2,096
Furniture and other equipment	1,029	981
Projects in progress	1,740	2,145
Total gross property and equipment	24,415	23,352
Accumulated depreciation	(18,763)	(18,008)
Total property and equipment, net	\$ 5,652	\$ 5,344

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (*in thousands*):

	March 31, 2014	December 31, 2013
Accrued litigation liabilities	\$ 500	\$ 500
Accrued advertising expense	12,560	8,837
Accrued compensation and benefits	1,872	3,378
Accrued professional fees	8,281	1,806
Accrued restructuring costs ^(a)	289	284
Customer deposits and escrows	4,433	4,279
Deferred rent	259	245
Other	3,006	3,936
Total accrued expenses and other current liabilities	\$ 31,200	\$ 23,265

(a) An additional \$0.1 million and \$0.2 million of accrued restructuring liability is classified in other long term liabilities on the consolidated balance sheets at March 31, 2014 and December 31, 2013, respectively.

NOTE 7—SHAREHOLDERS' EQUITY

The basic and diluted earnings per share were determined based on the following share data (*in thousands*):

	Three Months Ended March 31,	
	2014	2013
Weighted average basic common shares	11,142	10,967
Effect of stock options	—	—
Effect of dilutive share awards	—	—
Weighted average common shares	11,142	10,967

For the three months ended March 31, 2014 and 2013, we had losses from continuing operations and, as a result, no potentially dilutive securities were included in the denominator for computing diluted earnings per share, because the impact would have been anti-dilutive. Accordingly, the weighted average basic shares outstanding were used to compute earnings per share amounts for these periods. For the three months ended March 31, 2014 and 2013, approximately 0.7 million and 0.7 million shares, respectively, related to potentially dilutive securities were excluded from the calculation of diluted earnings per share, because their inclusion would have been anti-dilutive.

Common Stock Repurchases

On January 11, 2010, the board of directors authorized the repurchase of up to \$10 million of Tree.com's common stock. During the three months ended March 31, 2014, the Company did not purchase any shares of its common stock pursuant to this stock repurchase program. At March 31, 2014, approximately \$0.8 million remains authorized for share repurchase.

On May 7, 2014, the board of directors authorized the repurchase of up to an additional \$10 million of Tree.com's common stock.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8—STOCK-BASED COMPENSATION

Non-cash compensation expense related to equity awards is included in the following line items in the accompanying consolidated statements of operations (*in thousands*):

	Three Months Ended March 31,	
	2014	2013
Cost of revenue	\$ 6	\$ 2
Selling and marketing expense	233	217
General and administrative expense	1,061	1,030
Product development	316	184
Total non-cash compensation expense	\$ 1,616	\$ 1,433

Stock Options

A summary of changes in outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price <i>(per option)</i>	Weighted Average Remaining Contractual Term <i>(in years)</i>	Aggregate Intrinsic Value ^(a) <i>(in thousands)</i>
Options outstanding at January 1, 2014	1,038,999	\$ 8.98		
Granted ^(b)	42,757	33.59		
Exercised	(2,692)	11.44		
Forfeited	—	—		
Expired	(10)	0.47		
Options outstanding at March 31, 2014	1,079,054	9.95	4.74	\$ 22,865
Options exercisable at March 31, 2014	935,005	\$ 9.23	4.21	\$ 20,394

- (a) The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price of \$31.04 on the last trading day of the quarter ended March 31, 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 31, 2014. The intrinsic value changes based on the fair market value of the Company's common stock.
- (b) During the first quarter of 2014 the Company granted stock options with a weighted average grant date fair value per share of \$17.13 that vest over a period of three years from their grant date. For purposes of determining stock-based compensation expense, the grant date fair value per share of the stock options was estimated using the Black-Scholes option pricing model, which requires the use of various key assumptions, including the following:

Expected term ⁽¹⁾	6.0 years
Expected dividend ⁽²⁾	—
Expected volatility ⁽³⁾	54%
Risk-free interest rate ⁽⁴⁾	1.85%

- (1) The expected term of stock options granted was calculated using the 'Simplified Method', which utilizes the midpoint between the weighted-average time of vesting and the end of the contractual term. This method was utilized for the stock options due to the lack of historical exercise behavior by the Company's employees.
- (2) For all stock options granted in 2014, no dividends are expected to be paid over the contractual term of the stock options, resulting in a zero expected dividend rate.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (3) The expected volatility rate is based on the historical volatility of the Company's common stock for the four years preceding the grant date, supplemented with the historical volatility of its peer group for the two years preceding the Company's historical volatility over the expected term. A blended rate was used because the Company became a public company in 2008 and, therefore, does not have a historical volatility equal to the expected term of these awards.
- (4) The risk-free interest rate is specific to the date of grant. The risk-free interest rate is based on U.S. Treasury yields for notes with comparable expected terms as the awards, in effect at the grant date.

A summary of the information about stock options outstanding and exercisable is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price	
		(in years)	(per option)			(per option)
\$0.01 to \$4.99	15	0.12	\$ 1.52	15	\$ 1.52	
\$5.00 to \$7.45	304,032	7.47	6.65	202,740	6.65	
\$7.46 to \$9.99	601,783	3.78	8.46	601,783	8.46	
\$10.00 to \$14.99	3,679	0.56	12.25	3,679	12.25	
\$15.00 to \$19.99	80,125	1.18	15.00	80,125	15.00	
\$20.00 to \$33.59	89,420	5.35	26.60	46,663	20.19	
Options at March 31, 2014	1,079,054	4.74	\$ 9.95	935,005	\$ 9.23	

Restricted Stock Units and Restricted Stock

A summary of the changes in outstanding nonvested RSUs and restricted stock is as follows:

	RSUs		RSUs Market Condition	
	Number of Units	Weighted Average Grant Date Fair Value	Number of Units	Weighted Average Grant Date Fair Value
		(per unit)		(per unit)
Nonvested at January 1, 2014	599,122	\$ 14.15	—	\$ —
Granted	102,440	33.59	500	33.59
Vested	(141,116)	13.54	—	—
Forfeited	(10,371)	16.44	—	—
Nonvested at March 31, 2014	550,075	\$ 17.89	500	\$ 33.59

	Restricted Stock		Restricted Stock Market Condition	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
		(per share)		(per share)
Nonvested at January 1, 2014	119,500	\$ 22.47	62,500	\$ 13.93
Granted	—	—	—	—
Vested	(20,833)	17.49	(62,500)	13.93
Forfeited	—	—	—	—
Nonvested at March 31, 2014	98,667	\$ 23.53	—	\$ —

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9—INCOME TAXES

	Three Months Ended March 31,	
	2014	2013
	<i>(in thousands, except percentages)</i>	
Income tax benefit (provision)	\$ 1	\$ (20)
Effective tax rate	—%	7.9%

For the three months ended March 31, 2014, the effective tax rate varied from the statutory rate primarily due to the existence of a valuation allowance that has been provided to offset the Company's net deferred tax asset, after excluding deferred tax liabilities related to indefinite lived intangible assets that are not going to provide a source of taxable income in the foreseeable future.

For the three months ended March 31, 2013, the effective income tax rate varied from the statutory rate due primarily to the impact of the valuation allowance, indefinite-lived intangible assets and state taxes.

Valuation Allowance

There have been no changes to the Company's valuation allowance assessment for the three months ended March 31, 2014.

NOTE 10—DISCRETIONARY CASH BONUS

During February 2013, the Company incurred a compensation charge of \$0.9 million related to a discretionary cash bonus payment to employee stock option holders.

NOTE 11—CONTINGENCIES**Overview**

Tree.com is involved in legal proceedings on an ongoing basis. In assessing the materiality of a legal proceeding, the Company evaluates, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require it to change its business practices in a manner that could have a material adverse impact on the business. With respect to the matters disclosed in this footnote, unless otherwise indicated, the Company is unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

As of both March 31, 2014 and December 31, 2013, the Company had a litigation settlement accrual for its continuing operations of \$0.5 million. The litigation settlement accrual relates to litigation matters that were either settled or a firm offer for settlement was extended, thereby establishing an accrual amount that is both probable and reasonably estimable.

Specific Matters**Intellectual Property Litigation****Zillow**

LendingTree v. Zillow, Inc., et al. Civil Action No. 3:10-cv-439. On September 8, 2010, the Company filed an action for patent infringement in the US District Court for the Western District of North Carolina against Zillow, Inc., Nextag, Inc., Quinstreet, Inc., Quinstreet Media, Inc. and Adchemy, Inc. The complaint was amended to include Leadpoint, Inc. d/b/a Securerights on September 24, 2010. The complaint alleges that each of the defendants infringe one or both of the Company's patents—U.S. Patent No. 6,385,594, entitled "Method and Computer Network for Co-Ordinating a Loan over the Internet," and U.S. Patent No. 6,611,816, entitled "Method and Computer Network for Co-Ordinating a Loan over the Internet." Collectively, the asserted patents cover computer hardware and software used in facilitating business between computer users and multiple lenders on the internet. The defendants in this action asserted various counterclaims against the Company, including the assertion by certain of the defendants of counterclaims alleging illegal monopolization via our maintenance of the asserted patents. In July 2011, the Company reached a settlement agreement with Leadpoint, Inc., pursuant to which all claims against Leadpoint, Inc. and all counter-

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

claims against the Company by Leadpoint, Inc. were dismissed. In November 2012, the Company reached a settlement agreement with Quinstreet, Inc. and Quinstreet Media, Inc. (collectively, the "Quinstreet Parties"), pursuant to which all claims against the Quinstreet Parties and all counterclaims against the Company by the Quinstreet Parties were dismissed. This matter went to trial beginning in February 2014, and on March 12, 2014, the jury returned a verdict. The jury found that the defendants Zillow, Inc., Adchemy, Inc., and NexTag, Inc. did not infringe the two patents referenced above and determined that those patents are invalid due to inventorship defects. The jury found in the Company's favor on the defendants' counterclaims alleging inequitable conduct and antitrust violations. Judgment was entered on March 31, 2014. Certain matters remain pending with the court, including the Company's motions for a new trial and to correct the inventorship defect and restore the validity of the patents and the defendants' motions for sanctions and awards of attorneys' fees. The Company believes it has strong grounds for appeal and filed a notice of appeal on April 22, 2014. The range of possible loss on the motions for sanctions and awards of attorneys' fees is estimated to be between \$0 to \$9.7 million. The Company believes the defendants' motions for sanctions and attorneys' fees lack merit and intends to defend these motions vigorously.

Internet Patents Corp.

Internet Patents Corporation f/k/a InsWeb v. Tree.com, Inc., No. C-12-6505 (U.S. Dist. Ct., N.D. Cal.). In December 2012, the plaintiff filed a patent infringement lawsuit against the Company seeking a judgment that it had infringed a patent held by the plaintiff. Process was formally served with respect to this matter in April 2013. The plaintiff sought injunctive relief, damages, costs, expenses, pre- and post-judgment interest, punitive damages and attorneys' fees. The plaintiff alleged that the Company infringes U.S. Patent No. 7,707,505, entitled "Dynamic Tabs for a Graphical User Interface". On October 25, 2013, the court dismissed the suit based on the finding that the plaintiff's claims failed as a matter of law because the asserted patent is invalid for lack of patent-eligible subject matter. The plaintiff filed a notice of appeal on November 7, 2013. In December 2013, the Company's case was consolidated with three other pending appeals involving the asserted patents. The plaintiff filed its opening appellate brief in January 2014, and the Company filed a joint appellate response brief in April 2014. The Company believes the plaintiff's allegations lack merit and intends to defend against this action vigorously.

Money Suite

The Money Suite Company v. LendingTree, LLC, No. 1:13-ev-986 (U.S. Dist. Ct, D Del.). In June 2013, the plaintiff filed a patent infringement lawsuit against LendingTree, LLC ("LendingTree") seeking a judgment that it infringed a patent held by plaintiff. The plaintiff alleges that LendingTree infringes U.S. Patent No. 6,684,189 for "an apparatus and method using front end network gateways and search criteria for efficient quoting at a remote location". The plaintiff seeks damages (including pre- and post-judgment interest thereon), costs and attorneys' fees. In December 2013, the court stayed this case pending review of the patent by the United States Patent and Trademark Office. The Company believes the plaintiff's allegations lack merit and intends to defend against this action vigorously.

Other Litigation

Boschma

Boschma v. Home Loan Center, Inc., No. SACV7-613 (U.S. Dist. Ct., C.D. Cal.). On May 25, 2007, the plaintiffs filed this putative class action against Home Loan Center, Inc. ("HLC") in the U.S. District Court for the Central District of California. The plaintiffs allege that HLC sold them an option "ARM" (adjustable-rate mortgage) loan but failed to disclose in a clear and conspicuous manner, among other things, that the interest rate was not fixed, that negative amortization could occur and that the loan had a prepayment penalty. Based upon these factual allegations, the plaintiffs asserted violations of the federal Truth in Lending Act, violations of the Unfair Competition Law, breach of contract, and breach of the covenant of good faith and fair dealing. The plaintiffs purport to represent a class of all individuals who between June 1, 2003 and May 31, 2007 obtained an option ARM loan through HLC on their primary residence located in California, and seek rescission, damages, attorneys' fees and injunctive relief. The plaintiffs have not yet filed a motion for class certification, but have filed a total of eight complaints in connection with this lawsuit. Each of the first seven complaints has been dismissed by the federal and state courts. The plaintiffs filed the eighth complaint (a "Second Amended Complaint") in Orange County (California) Superior Court on March 4, 2010 alleging only the fraud and Unfair Competition Law claims. As with each of the seven previous versions of plaintiffs' complaint, the Second Amended Complaint was dismissed in April 2010. The plaintiffs appealed the dismissal and on August 10, 2011, the appellate court reversed the trial court's dismissal and directed the trial court to overrule the demurrer. The case was remanded to superior court. During 2013, the parties agreed to a \$450,000 settlement, which was approved in 2013. A nominal payment into the settlement fund was made in late 2013. The Company expects administration of the settlement to be completed by the third quarter of 2014. A provision

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the remaining \$435,000 is included in current liabilities of discontinued operations at March 31, 2014. The impact of the settlement was not material.

Dijkstra

Lijkel Dijkstra v. Harry Carenbauer, Home Loan Center, Inc. et al., No. 5:11-cv-152-JPB (U.S. Dist. Ct., N.D.WV). On November 7, 2008, the plaintiffs filed this putative class action in Circuit Court of Ohio County, West Virginia against Harry Carenbauer, HLC, HLC Escrow, Inc. et al. The complaint alleges that HLC engaged in the unauthorized practice of law in West Virginia by permitting persons who were neither admitted to the practice of law in West Virginia nor under the direct supervision of a lawyer admitted to the practice of law in West Virginia to close mortgage loans. The plaintiffs assert claims for declaratory judgment, contempt, injunctive relief, conversion, unjust enrichment, breach of fiduciary duty, intentional misrepresentation or fraud, negligent misrepresentation, violation of the West Virginia Consumer Credit and Protection Act ("CCPA"), violation of the West Virginia Lender, Broker & Services Act, civil conspiracy, outrage and negligence. The claims against all defendants other than Mr. Carenbauer, HLC and HLC Escrow, Inc. have been dismissed. The case was removed to federal court in October 2011. On January 3, 2013, the court granted a conditional class certification only with respect to the declaratory judgment, contempt, unjust enrichment and CCPA claims. The conditional class includes consumers with mortgage loans in effect any time after November 8, 2007 who obtained such loans through HLC, and whose loans were closed by persons not admitted to the practice of law in West Virginia or by persons not under the direct supervision of a lawyer admitted to the practice of law in West Virginia. On February 26, 2014, the court granted and denied certain of each party's motions for summary judgment. With respect to the Class Claims, the court granted plaintiff's motions for summary judgment with respect to declaratory judgment, unjust enrichment and violation of the CCPA. The court granted HLC's motion for summary judgment with respect to contempt. In addition, the court denied HLC's motion to decertify the class. With respect to the claims applicable to the named plaintiff only (the "Individual Claims"), HLC's motions for summary judgment were granted with respect to conversion, breach of fiduciary duty, intentional misrepresentation, negligent misrepresentation and outrage. HLC and the plaintiff have reached a tentative settlement agreement with respect to the remaining Individual Claims. The trial for the Class Claims has not yet been scheduled by the court. The Company believes that the plaintiffs' allegations related to the Class Claims lack merit and intends to defend against this action vigorously.

The range of possible loss is estimated to be between \$0.6 million and \$1.95 million, of which some or all may be covered by insurance. A reserve of \$0.6 million and a corresponding insurance recoverable of \$0.5 million have been established for this matter in the consolidated balance sheet as of March 31, 2014.

Massachusetts Division of Banks

On February 11, 2011, the Massachusetts Division of Banks (the "Division") delivered a Report of Examination/Inspection to LendingTree, which identified various alleged violations of Massachusetts and federal laws, including the alleged insufficient delivery by LendingTree of various disclosures to its customers. On October 14, 2011, the Division provided a proposed Consent Agreement and Order to settle the Division's allegations, which the Division had shared with other state mortgage lending regulators. Thirty-four of such state mortgage lending regulators (the "Joining Regulators") indicated that if LendingTree would enter into the Consent Agreement and Order, they would agree not to pursue any analogous allegations that they otherwise might assert. As of May 7, 2014, none of the Joining Regulators have asserted any such allegations.

The proposed Consent Agreement and Order calls for a fine to be allocated among the Division and the Joining Regulators and for LendingTree to adopt various new procedures and practices. The Company has commenced negotiations toward an acceptable Consent Agreement and Order. It does not believe its mortgage exchange business violated any federal or state mortgage lending laws; nor does it believe that any past operations of the mortgage business have resulted in a material violation of any such laws. Should the Division or any Joining Regulator bring any actions relating to the matters alleged in the February 2011 Report of Examination/Inspection, the Company intends to defend against such actions vigorously. The range of possible loss is estimated to be between \$0.5 million and \$6.5 million, and a reserve of \$0.5 million has been established for this matter in the consolidated balance sheet as of March 31, 2014.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12—SEGMENT INFORMATION

The Company has one reportable segment, its lending operating segment. Its additional operating segments—auto, education and home services—are included in the "Other" category in the reconciliation of segment information below.

The expenses presented below for the lending segment and the operating segments shown in the Other category include allocations of certain corporate expenses that are identifiable and directly benefit those segments. The unallocated expenses included in the "Corporate" category are those corporate overhead expenses that are not directly attributable to an operating segment and include: finance, legal, executive technology support and human resources.

Adjusted EBITDA, a non-GAAP measure, is the primary metric by which the chief operating decision maker evaluates the performance of the Company's businesses, on which its internal budgets are based and by which management is compensated. Adjusted EBITDA is defined as operating income or loss (which excludes interest expense and taxes) adjusted to exclude amortization of intangibles and depreciation, and excluding (1) non-cash compensation expense, (2) non-cash intangible asset impairment charges, (3) gain/loss on disposal of assets, (4) restructuring and severance expenses, (5) litigation settlements and contingencies and legal fees for certain patent litigation, (6) adjustments for significant acquisitions or dispositions, and (7) one-time items. For the periods presented in this report, there are no adjustments for one-time items, except for a \$0.9 million related to a discretionary cash bonus payment to employee stock option holders during the three months ended March 31, 2013.

Assets and other balance sheet information are not used by the chief operating decision maker.

Summarized information by segment and reconciliations to Adjusted EBITDA and income (loss) before income taxes is as follows (*in thousands*):

	Three Months Ended March 31, 2014			
	Lending	Other	Corporate	Total
Revenue	\$ 36,928	\$ 3,108	\$ —	\$ 40,036
Costs and expenses:				
Cost of revenue (<i>exclusive of depreciation shown separately below</i>)	1,545	120	—	1,665
Selling and marketing expense	25,619	1,830	—	27,449
General and administrative expense	1,246	782	4,105	6,133
Product development	1,623	309	—	1,932
Depreciation	363	293	99	755
Amortization of intangibles	—	28	—	28
Restructuring and severance	148	15	39	202
Litigation settlements and contingencies	—	—	7,707	7,707
Total costs and expenses	30,544	3,377	11,950	45,871
Operating income (loss)	6,384	(269)	(11,950)	(5,835)
Adjustments to reconcile to Adjusted EBITDA:				
Amortization of intangibles	—	28	—	28
Depreciation	363	293	99	755
Restructuring and severance	148	15	39	202
Loss on disposal of assets	—	8	—	8
Non-cash compensation	599	265	752	1,616
Litigation settlements and contingencies	—	—	7,707	7,707
Adjusted EBITDA	\$ 7,494	\$ 340	\$ (3,353)	\$ 4,481
Operating loss			\$	(5,835)
Interest expense				—
Loss before income taxes			\$	(5,835)

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended March 31, 2013 ^(a)			
	Lending	Other	Corporate	Total
Revenue	\$ 25,673	\$ 2,407	\$ —	\$ 28,080
Costs and expenses:				
Cost of revenue <i>(exclusive of depreciation shown separately below)</i>	1,156	173	27	1,356
Selling and marketing expense	15,160	2,095	—	17,255
General and administrative expense	978	511	5,067	6,556
Product development	950	255	—	1,205
Depreciation	374	417	94	885
Amortization of intangibles	—	43	—	43
Restructuring and severance	—	—	(2)	(2)
Litigation settlements and contingencies	—	—	1,028	1,028
Total costs and expenses	18,618	3,494	6,214	28,326
Operating income (loss)	7,055	(1,087)	(6,214)	(246)
Adjustments to reconcile to Adjusted EBITDA:				
Amortization of intangibles	—	43	—	43
Depreciation	374	417	94	885
Restructuring and severance	—	—	(2)	(2)
Loss on disposal of assets	—	—	25	25
Non-cash compensation	413	142	878	1,433
Discretionary cash bonus	—	—	920	920
Litigation settlements and contingencies	—	—	1,028	1,028
Adjusted EBITDA	\$ 7,842	\$ (485)	\$ (3,271)	\$ 4,086
Operating loss				\$ (246)
Interest expense				(7)
Loss before income taxes				\$ (253)

(a) For comparative purposes, revenue from and expenses related to personal loan offerings have been recast from the "Other" category to the lending segment.

NOTE 13—RESTRUCTURING

Accrued restructuring liabilities primarily relate to lease obligations for call center leases exited in 2010, which are expected to be completed by 2015. Restructuring expense and payments against liabilities are as follows *(in thousands)*:

	Continuing Lease Obligations
Balance at December 31, 2013	\$ 462
Restructuring expense	4
Payments	(74)
Balance at March 31, 2014	\$ 392

At March 31, 2014, restructuring liabilities of \$0.3 million are included in accrued expenses and other current liabilities and \$0.1 million are included in other non-current liabilities in the accompanying consolidated balance sheet. At December 31, 2013, restructuring liabilities of \$0.3 million are included in accrued expenses and other current liabilities and \$0.2 million are included

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in other non-current liabilities in the accompanying consolidated balance sheet. We do not expect to incur significant additional costs related to the restructuring noted above.

NOTE 14—DISCONTINUED OPERATIONS

Real Estate

On March 10, 2011, management made the decision and finalized a plan to close all of the field offices of the proprietary full-service real estate brokerage business known as RealEstate.com, REALTORS®. The Company exited all markets by March 31, 2011. In September 2011, the remaining assets of RealEstate.com were sold, which consisted primarily of internet domain names and trademarks. Accordingly, these real estate businesses are presented as discontinued operations in the accompanying consolidated financial statements for all periods presented. No significant future cash flows are anticipated from the disposition of this business.

The revenue and net loss for the real estate businesses that are reported as discontinued operations in the accompanying consolidated statements of operations are as follows (*in thousands*):

	Three Months Ended March 31,	
	2014	2013
Revenue	\$ —	\$ 1
Income (loss) before income taxes	\$ (16)	\$ 7
Income tax benefit	—	—
Net income (loss)	\$ (16)	\$ 7

The liabilities of real estate businesses that are reported as discontinued operations in the accompanying consolidated balance sheets are as follows (*in thousands*):

	March 31, 2014	December 31, 2013
Current liabilities	\$ (15)	\$ (45)
Net liabilities	\$ (15)	\$ (45)

LendingTree Loans

On May 12, 2011, the Company entered into an asset purchase agreement, later amended on February 7, 2012, that provided for the sale of substantially all of the operating assets of its LendingTree Loans business to Discover. The sale was completed on June 6, 2012. Discover has participated as a network lender since closing of the transaction. An evaluation of the facts and circumstances of the transaction and the applicable accounting guidance for discontinued operations indicates that the LendingTree Loans business should be reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented. The continuing cash flows related to this transaction are not significant and, accordingly, are not deemed to be direct cash flows of the divested business.

The Company agreed to indemnify Discover for a breach or inaccuracy of any representation, warranty or covenant made by it in the asset purchase agreement, for any liability of LendingTree Loans that was not assumed, for any claims by its stockholders against Discover and for its failure to comply with any applicable bulk sales law, subject to certain limitations. Discover submitted a claim for indemnification relating to the sale prior to the closing of certain loans that were listed in the asset purchase agreement as to be conveyed to Discover at closing. In May 2013, this indemnification claim and other miscellaneous items were settled by agreeing to credit Discover for \$1.3 million in future services. A majority of these credits were applied against services during the year ended December 31, 2013. The remaining credits were exhausted in the first quarter of 2014.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The revenue and net loss for LendingTree Loans that are reported as discontinued operations in the accompanying consolidated statements of operations are as follows (*in thousands*):

	Three Months Ended March 31,	
	2014	2013
Revenue	\$ 2	\$ (1,195)
Income (loss) before income taxes	\$ (555)	\$ (2,498)
Income tax benefit (expense)	(3)	(51)
Gain from sale of discontinued operations, net of tax	—	98
Net income (loss)	\$ (558)	\$ (2,451)

The assets and liabilities of LendingTree Loans that are reported as discontinued operations in the accompanying consolidated balance sheets are as follows (*in thousands*):

	March 31, 2014	December 31, 2013
Current assets	\$ 527	\$ 521
Non-current assets	100	129
Current liabilities	(31,890)	(31,959)
Non-current liabilities	(306)	(254)
Net liabilities	\$ (31,569)	\$ (31,563)

Significant Assets and Liabilities of LendingTree Loans

Upon closing of the sale of substantially all of the operating assets of the LendingTree Loans business on June 6, 2012, LendingTree Loans ceased to originate consumer loans. The remaining operations are being wound down. These wind-down activities have included, among other things, selling the balance of loans held for sale to investors, paying off and then terminating the warehouse lines of credit and settling derivative obligations, all of which have been completed. Liability for losses on previously sold loans will remain with LendingTree Loans and are discussed below.

Loan Loss Obligations

LendingTree Loans sold loans it originated to investors on a servicing-released basis, so the risk of loss or default by the borrower was generally transferred to the investor. However, LendingTree Loans was required by these investors to make certain representations and warranties relating to credit information, loan documentation and collateral. These representations and warranties may extend through the contractual life of the loan. Subsequent to the loan sale, if underwriting deficiencies, borrower fraud or documentation defects are discovered in individual loans, LendingTree Loans may be obligated to repurchase the respective loan or indemnify the investors for any losses from borrower defaults if such deficiency or defect cannot be cured within the specified period following discovery. In the case of early loan payoffs and early defaults on certain loans, LendingTree Loans may be required to repay all or a portion of the premium initially paid by the investor.

The Company's HLC subsidiary continues to be liable for these indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of its LendingTree Loans business in the second quarter of 2012. As of March 31, 2014, approximately \$21.2 million is being held in escrow pending resolution of certain of these contingent liabilities. The Company has been negotiating with certain secondary market purchasers to settle any existing and future contingent liabilities, but it may not be able to complete such negotiations on acceptable terms, or at all. Because LendingTree Loans does not service the loans it sold, it does not maintain nor generally have access to the current balances and loan performance data with respect to the individual loans previously sold to investors. Accordingly, LendingTree Loans is unable to determine, with precision, its maximum exposure for breaches of the representations and warranties it made to the investors that purchased such loans.

TREE.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the fourth quarter of 2013, the Company revised its estimation process for evaluating the adequacy of the reserve for loan losses to use a settlement discount framework. This model estimates the lifetime losses on the population of remaining loans originated and sold by LendingTree Loans using actual defaults for loans with similar characteristics and projected future defaults. It also considers the likelihood of claims expected due to alleged breaches of representations and warranties made by LendingTree Loans and the percentage of those claims investors estimate LendingTree Loans may agree to repurchase. A settlement discount factor is then applied to the result of the foregoing to reflect publicly announced bulk settlements for similar loan types and vintages, as well as LendingTree Loans' non-operating status, in order to estimate a range of potential obligation.

The estimated range of remaining loan losses using this settlement discount framework was determined to be \$17.0 million to \$31.0 million at March 31, 2014. The reserve balance recorded as of March 31, 2014 was \$28.5 million. Management has considered both objective and subjective factors in the estimation process, but given current general industry trends in mortgage loans as well as housing prices and market expectations, actual losses related to LendingTree Loans' obligations could vary significantly from the obligation recorded as of the balance sheet date or the range estimated above.

Additionally, Tree.com has guaranteed certain loans sold to two investors in the event that LendingTree Loans is unable to satisfy its repurchase and warranty obligations related to such loans.

The following table represents the loans sold for the periods shown and the aggregate loan losses through March 31, 2014:

Period of Loan Sales	March 31, 2014				
	Number of Loans Sold	Original Principal Balance	Number of Loans with Losses	Original Principal Balance of Loans with Losses	Amount of Aggregate Losses
		<i>(in billions)</i>		<i>(in millions)</i>	<i>(in millions)</i>
2014	—	\$ —	—	\$ —	—
2013	—	—	—	—	—
2012	9,200	1.9	—	—	—
2011	12,500	2.7	1	0.3	0.1
2010	12,400	2.8	4	1.1	0.1
2009	12,800	2.8	5	1.2	0.2
2008	11,000	2.2	33	6.9	2.2
2007	36,300	6.1	160	22.1	8.2
2006	55,000	7.9	207	24.5	13.4
2005 and prior years	86,700	13.0	89	12.3	5.0
Total	235,900	\$ 39.4	499	\$ 68.4	\$ 29.2

Based on historical experience, it is anticipated that LendingTree Loans will continue to receive repurchase requests and incur losses on loans sold in prior years.

The activity related to loss reserves on previously sold loans is as follows *(in thousands)*:

	Three Months Ended March 31,	
	2014	2013
Loan loss reserve, beginning of period	\$ 28,543	\$ 27,182
Provisions	—	1,197
Charge-offs to reserves	—	—
Loan loss reserve, end of period	\$ 28,543	\$ 28,379

The liability for losses on previously sold loans is presented as current liabilities of discontinued operations in the accompanying consolidated balance sheet as of March 31, 2014 and December 31, 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This report contains "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. These forward-looking statements also include statements related to our anticipated financial performance, business prospects and strategy; anticipated trends and prospects in the various industries in which our businesses operate; new products, services and related strategies; and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as "anticipates," "estimates," "expects," "projects," "intends," "plans" and "believes," among others, generally identify forward-looking statements.

Actual results could differ materially from those contained in the forward-looking statements. Factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include those matters discussed or referenced in Part II, Item 1A—Risk Factors.

Other unknown or unpredictable factors that could also adversely affect our business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of Tree.com management as of the date of this report. 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, except as required by law.

Company Overview

Tree.com is the parent of LendingTree, LLC which owns several brands and businesses that provide information, tools, advice, products and services for critical transactions in consumers' lives. Our family of brands includes: LendingTree®, GetSmart®, LendingTree EducationSM, LendingTree AutosSM, LendingTree Home ProsSM and InsuranceTree®. Together, these brands serve as an ally for consumers who are looking to comparison-shop for loans and other services from multiple businesses and professionals that will compete for their business.

The businesses of RealEstate.com and RealEstate.com, REALTORS® and LendingTree Loans are presented as discontinued operations in the accompanying consolidated balance sheets and consolidated statements of operations and cash flows for all periods presented. The analysis within Management's Discussion and Analysis of Financial Condition and Results of Operations reflects our continuing operations.

Reportable and Operating Segments

Our four operating segments are lending, auto, education and home services. We sometimes refer to these operating segments as our "businesses". Of these, only our lending operating segment meets the criteria for a reportable segment. We formerly referred to this reportable segment as our mortgage segment. The auto, education and home services operating segments are reported in the "Other" category in our segment reconciling information. See Note 12—Segment Information to the consolidated financial statements included elsewhere in this report.

Recent Mortgage Interest Rate Trends

Interest rate and market risks can be substantial in the mortgage lead generation business. Fluctuations in interest rates affect consumer demand for new mortgages and the level of refinancing activity which, in turn, affects lender demand for mortgage leads. Typically, a decline in mortgage interest rates will lead to reduced lender demand for leads from third-party sources, as there are more consumers in the marketplace seeking refinancings and, accordingly, lenders receive more organic lead volume. Conversely, an increase in mortgage interest rates will typically lead to an increase in lender demand for third-party leads, as there are fewer consumers in the marketplace and, accordingly, the supply of organic mortgage lead volume decreases.

According to Freddie Mac, in 2013, mortgage interest rates rose gradually through the first five months of the year. In June 2013, mortgage interest rates increased more significantly, subsequently peaking at 4.49% in September 2013, then dropped more than a quarter-point early in the fourth quarter of 2013 and then increased again to 4.46% by the end of 2013.

Mortgage interest rates declined slightly during the first quarter of 2014 to 4.34% in March 2014 and averaged 4.36% during the quarter, as compared to averages of 3.50% and 4.30% during the first and fourth quarters of 2013, respectively. Higher average mortgage interest rates during the first quarter of 2014 resulted in a 57% and 23% decline in the total dollar volume of mortgage originations as compared to the first and fourth quarters of 2013, respectively, according to Mortgage Bankers Association ("MBA") data.

For the remaining quarters of 2014, MBA is projecting the dollar volume of aggregate mortgage originations to be above first quarter 2014 levels. Notwithstanding that anticipated improvement from the first quarter 2014, full year 2014 projected aggregate mortgage originations of almost \$1.1 trillion are expected to represent a 39% decline from 2013 and the lowest level of originations since 2000, resulting from increasing mortgage interest rates projected to hit 5% and average 4.8% in 2014. The rise in mortgage interest rates will also continue to move the mix of mortgage originations towards purchase, with estimated refinance share of originations of 63% in 2013 declining to 39% in 2014, according to MBA data.

The U.S. Real Estate Market

The U.S. real estate market continued its recovery in 2013 as job growth improved and demand drove the market, resulting in nationwide sales of existing homes at their highest level since 2006, according to the National Association of Realtors. However, nationwide sales of existing homes during the first quarter of 2014 have declined approximately 7% as compared to both the first and fourth quarters of 2013, likely associated with rising mortgage interest rates and price growth. The median existing home price was up almost 8% in March 2014 as compared to one year ago. The National Association of Realtors expects some improvement in the months ahead with ongoing job creation and some weather delayed shopping activity, particularly if existing home inventory continues to improve and mortgage interest rates rise only modestly.

Results of Operations for the Three Months ended March 31, 2014 and 2013

Revenue

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
	<i>(Dollars in thousands)</i>			
Lending	\$ 36,928	\$ 11,255	44%	\$ 25,673
Other	3,108	701	29%	2,407
Corporate	—	—	—%	—
Total revenue	\$ 40,036	\$ 11,956	43%	\$ 28,080

Revenue from our lending segment increased in the first quarter of 2014 compared to the first quarter of 2013, due to increases in each of the products within this segment. Within our lending segment, revenue from mortgage products increased by \$8.2 million in the first quarter of 2014 compared to the first quarter of 2013, primarily driven by increased revenue from our purchase mortgage product. Revenue from non-mortgage products within our lending segment increased \$3.0 million in the first quarter of 2014 compared to the first quarter of 2013. Our non-mortgage products within our lending segment include the following products: reverse mortgage, home equity, personal loans and rate table. Our reverse mortgage and rate table products were introduced in the first quarter of 2013 and our personal loan product was re-launched in the third quarter of 2013.

The number of consumers matched on our lending exchange increased by 62% in the first quarter of 2014 compared to the first quarter of 2013, although our average revenue earned from network lenders per matched consumer decreased by 11% during this time. The decrease in revenue earned per matched consumer was primarily due to the increased relative contribution of our purchase and non-mortgage lending products, which have lower revenue per matched consumer rates than refinance, which had been a bigger portion of our business previously.

Other revenue, which includes our auto, education, home services and other businesses, increased in the first quarter of 2014 compared to the first quarter of 2013. The increase was primarily due to an increase of \$1.1 million in our auto business, partially offset by decreases in our education and home services businesses of \$0.4 million.

Cost of revenue

Cost of revenue consists primarily of costs associated with compensation and other employee-related costs (including stock-based compensation) relating to internally-operated call centers, third-party call center fees, credit scoring fees, credit card fees and website network hosting and server fees.

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
<i>(Dollars in thousands)</i>				
Lending	\$ 1,545	\$ 389	34 %	\$ 1,156
Other	120	(53)	(31)%	173
Corporate	—	(27)	(100)%	27
Total cost of revenue	\$ 1,665	\$ 309	23 %	\$ 1,356
<i>As a percentage of total revenue</i>	4%			5%

Lending cost of revenue increased in the first quarter of 2014 from the first quarter of 2013, primarily due to increases of \$0.2 million in credit card fees, and \$0.1 million in credit scoring fees.

Other cost of revenue decreased in the first quarter of 2014 compared to the first quarter of 2013, primarily due to decreases in third-party call center fees.

Selling and marketing expense

Selling and marketing expense consists primarily of advertising and promotional expenditures, fees paid to lead sources and compensation and other employee-related costs (including stock-based compensation) for personnel engaged in sales or marketing functions. Advertising and promotional expenditures primarily include online marketing, as well as television, print and radio spending. Advertising production costs are expensed in the period the related ad is first run.

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
<i>(Dollars in thousands)</i>				
Lending	\$ 25,619	\$ 10,459	69 %	\$ 15,160
Other	1,830	(265)	(13)%	2,095
Corporate	—	—	— %	—
Total selling and marketing expense	\$ 27,449	\$ 10,194	59 %	\$ 17,255
<i>As a percentage of total revenue</i>	69%			61%

The increase in lending selling and marketing expense in the first quarter of 2014 compared to the first quarter of 2013 is primarily due to an increase of \$10.0 million in advertising expense, as discussed below.

The increase in lending advertising expense corresponds to a 62% increase in consumers matched with network lenders in the first quarter of 2014 compared to the first quarter of 2013.

Other selling and marketing expense decreased in the first quarter of 2014 from the first quarter of 2013, primarily due to a decrease of in compensation and benefits as a result of a decrease in headcount.

Total selling and marketing expense as a percentage of revenue increased in the first quarter of 2014 compared to the first quarter of 2013, primarily due to the continuation of the national advertising campaign for our LendingTree brand launched in the second quarter of 2013.

Advertising expense is the largest component of selling and marketing expense, and is comprised of the following:

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
	<i>(Dollars in thousands)</i>			
Online	\$ 20,752	\$ 8,064	64 %	\$ 12,688
Broadcast	2,628	2,125	422 %	503
Other	1,413	(16)	(1)%	1,429
Total advertising expense	\$ 24,793	\$ 10,173	70 %	\$ 14,620

We increased our online advertising expenditures in the first quarter of 2014 compared to the first quarter of 2013 in order to generate additional lending lead volume to meet the increased demand of network lenders on our mortgage exchange. In addition, we further increased our broadcast spend to support our new national advertising campaign for our LendingTree brand, which commenced in the second quarter of 2013.

We will continue to adjust selling and marketing expenditures dynamically in relation to revenue producing opportunities.

General and administrative expense

General and administrative expense consists primarily of compensation and other employee-related costs (including stock-based compensation) for personnel engaged in finance, legal, tax, corporate information technology, human resources and executive management functions, as well as facilities and infrastructure costs and fees for professional services.

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
	<i>(Dollars in thousands)</i>			
Lending	\$ 1,246	\$ 268	27 %	\$ 978
Other	782	271	53 %	511
Corporate	4,105	(962)	(19)%	5,067
Total general and administrative expense	\$ 6,133	\$ (423)	(6)%	\$ 6,556
<i>As a percentage of total revenue</i>	<i>15%</i>			<i>23%</i>

General and administrative expense in both lending and the other businesses increased in the first quarter of 2014 from the first quarter of 2013, primarily due to increases in compensation and benefits of \$0.2 million and \$0.3 million, respectively. During the first quarter of 2013, a portion of the incentive compensation for individuals in the lending and other businesses was allocated to corporate. The incentive compensation plan was modified for 2014 and during the first quarter of 2014, the lending and other businesses reflect the full incentive compensation for individuals in these businesses. Additionally, non-cash incentive compensation increased in the first quarter of 2014 from the first quarter of 2013.

Corporate general and administrative expense decreased during the same period, primarily due to decreased compensation and benefits of \$1.3 million, partially offset by an increase in professional fees of \$0.2 million. The decrease in compensation and benefits in the first quarter of 2014 from the first quarter of 2013 is primarily due to a compensation charge of \$0.9 million related to a discretionary cash bonus payment to employee stock option holders in the first quarter of 2013, in addition to the reduction in incentive compensation classified in corporate due to the allocation discussed above.

General and administrative expense in the first quarter of 2014 was spread over proportionately greater revenue during the period, resulting in an improvement in general and administrative expense as a percentage of revenue.

Product development

Product development expense consists primarily of compensation and other employee-related costs (including stock-based compensation) that are not capitalized, for personnel engaged in the design, development, testing and enhancement of technology.

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
	<i>(Dollars in thousands)</i>			
Lending	\$ 1,623	\$ 673	71%	\$ 950
Other	309	54	21%	255
Corporate	—	—	—%	—
Total product development	\$ 1,932	\$ 727	60%	\$ 1,205
<i>As a percentage of total revenue</i>	<i>5%</i>			<i>4%</i>

Product development expense increased in the first quarter of 2014 as compared to the first quarter of 2013, primarily due to increases in compensation and other employee-related costs. We increased headcount in the first quarter of 2014 compared to the first quarter of 2013 in order to support planned product launches for 2014.

Depreciation

Depreciation expense decreased to \$0.8 million in the first quarter of 2014 compared to \$0.9 million in the first quarter of 2013 primarily due to certain fixed assets that fully depreciated in 2013.

Litigation settlements and contingencies

Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements, in addition to legal fees incurred in connection with various patent litigations we are pursuing. During the first quarter of 2014 and 2013, we recorded \$7.7 million and \$1.0 million, respectively, primarily due to legal fees incurred in connection with various patent litigations we are currently pursuing.

During the first quarter of 2014, we participated in a jury trial for the Zillow litigation described in Note 11—Contingencies to the consolidated financial statements, included elsewhere in this report. The legal expenses associated with this jury trial increased our litigation settlements and contingencies expense for the first quarter of 2014. We will continue to incur litigation expenses on this matter for post-trial matters, including a notice of appeal we filed and costs relating to various pending post-trial motions. While we expect legal expenses related to this matter to decline significantly in future periods, we cannot predict the additional impact that this litigation may have on full year 2014 litigation settlements and contingencies.

Operating loss

	Three Months Ended March 31,			
	2014	\$ Change	% Change	2013
	<i>(Dollars in thousands)</i>			
Lending	\$ 6,384	\$ (671)	(10)%	\$ 7,055
Other	(269)	818	(75)%	(1,087)
Corporate	(11,950)	(5,736)	92 %	(6,214)
Operating loss	\$ (5,835)	\$ (5,589)	2,272 %	\$ (246)
<i>As a percentage of total revenue</i>	<i>(15)%</i>			<i>(1)%</i>

Operating income decreased in the first quarter of 2014 compared to the first quarter of 2013 despite an increase in revenue of \$12.0 million, primarily due to increases in selling and marketing expense of \$10.2 million, litigation settlements and contingencies of \$6.7 million and product development expense of \$0.7 million.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is a non-GAAP measure and is defined in "Tree.com's Principles of Financial Reporting" below. The following table is a reconciliation of Adjusted EBITDA to net income (loss) for continuing operations by segment.

	Three Months Ended March 31, 2014			
	Lending	Other	Corporate	Total
	<i>(in thousands)</i>			
Adjusted EBITDA by segment	\$ 7,494	\$ 340	\$ (3,353)	\$ 4,481
Adjustments to reconcile to net income (loss) from continuing operations:				
Amortization of intangibles	—	(28)	—	(28)
Depreciation	(363)	(293)	(99)	(755)
Restructuring and severance	(148)	(15)	(39)	(202)
Loss on disposal of assets	—	(8)	—	(8)
Non-cash compensation	(599)	(265)	(752)	(1,616)
Litigation settlements and contingencies	—	—	(7,707)	(7,707)
Other expense, net	—	—	—	—
Income tax benefit (provision)	—	—	1	1
Net income (loss) from continuing operations	\$ 6,384	\$ (269)	\$ (11,949)	\$ (5,834)

	Three Months Ended March 31, 2013			
	Lending	Other	Corporate	Total
	<i>(in thousands)</i>			
Adjusted EBITDA by segment	\$ 7,842	\$ (485)	\$ (3,271)	\$ 4,086
Adjustments to reconcile to net income (loss) from continuing operations:				
Amortization of intangibles	—	(43)	—	(43)
Depreciation	(374)	(417)	(94)	(885)
Restructuring and severance	—	—	2	2
Loss on disposal of assets	—	—	(25)	(25)
Non-cash compensation	(413)	(142)	(878)	(1,433)
Discretionary cash bonus	—	—	(920)	(920)
Litigation settlements and contingencies	—	—	(1,028)	(1,028)
Other expense, net	—	—	(7)	(7)
Income tax benefit (provision)	—	—	(20)	(20)
Net income (loss) from continuing operations	\$ 7,055	\$ (1,087)	\$ (6,241)	\$ (273)

Income tax provision

	Three Months Ended March 31,	
	2014	2013
	<i>(in thousands, except percentages)</i>	
Income tax benefit (provision)	\$ 1	\$ (20)
Effective tax rate	—%	7.9%

During the first quarter of 2014, the effective tax rate varied from the statutory rate primarily due to the existence of a valuation allowance that has been provided to offset our net deferred tax asset, after excluding deferred tax liabilities related to indefinite lived intangible assets that are not going to provide a source of taxable income in the foreseeable future.

During the first quarter of 2013, the effective income tax rate varied from the statutory rate due primarily to the impact of the valuation allowance, indefinite-lived intangible assets and state taxes.

There have been no changes to our valuation allowance assessment for the three months ended March 31, 2014.

Discontinued Operations

For the first quarters of 2014 and 2013, losses from discontinued operations of \$0.6 million and \$2.4 million, respectively, were primarily attributable to operating losses associated with the LendingTree Loans business, the sale of which was completed on June 6, 2012. The loss in the first quarter of 2014 primarily relates to legal fees associated with ongoing legal proceedings.

Financial Position, Liquidity and Capital Resources

General

We expect our cash and cash equivalents and cash flows from operations to be sufficient to fund our operating and other needs for the next twelve months and beyond.

As of March 31, 2014, we had \$89.5 million of cash and cash equivalents and \$24.1 million of restricted cash and cash equivalents, compared to \$91.7 million of cash and cash equivalents and \$26.0 million of restricted cash and cash equivalents as of December 31, 2013.

Cash Flows from Continuing Operations

Our cash flows attributable to continuing operations are as follows:

	Three Months Ended March 31,	
	2014	2013
	<i>(in thousands)</i>	
Net cash provided by (used in) operating activities	\$ 244	\$ (5,416)
Net cash provided by (used in) investing activities	885	(201)
Net cash used in financing activities	(2,958)	(671)

Cash Flows from Operating Activities

Net cash provided by operating activities attributable to continuing operations in the first three months of 2014 was \$0.2 million and consisted primarily of losses from continuing operations of \$5.8 million, offset by positive adjustments for non-cash items of \$2.6 million and cash provided by working capital of \$3.5 million. Adjustments for non-cash items primarily consisted of \$1.6 million in non-cash compensation expense and \$0.8 million of depreciation. Accounts receivable increased \$1.0 million due to increases in revenue. Accounts payable, accrued expenses and other current liabilities increased \$4.5 million, primarily due to legal fees associated with the jury trial for the Zillow patent litigation. We expect a significant use of cash during the second quarter of 2014 as legal fees from the jury trial are paid.

Net cash used in operating activities attributable to continuing operations in the first three months of 2013 was \$5.4 million and consisted of losses from continuing operations of \$0.3 million, positive adjustments for non-cash items of \$2.4 million and cash used for working capital of \$7.6 million. Adjustments for non-cash items primarily consisted of \$1.4 million of non-cash compensation expense and \$0.9 million of depreciation. Accounts receivable increased by \$2.1 million, primarily due to increases in revenue. Accounts payable and other current liabilities decreased by \$2.5 million, as we paid previously incurred expenses from improved cash flow.

Cash Flows from Investing Activities

Net cash provided by investing activities attributable to continuing operations in the first three months of 2014 of \$0.9 million consisted primarily of a decrease in restricted cash of \$2.0 million, which was partially offset by capital expenditures of \$1.1 million. During the first quarter of 2014, the Company reached and executed a settlement with the disputing party on the earnout related to an acquisition, upon which \$2.0 million of cash previously held in escrow was released.

Net cash used in investing activities attributable to continuing operations in the first three months of 2013 of \$0.2 million resulted primarily from capital expenditures of \$0.6 million, offset by a decrease in restricted cash of \$0.4 million.

Cash Flows from Financing Activities

Net cash used in financing activities attributable to continuing operations in the first three months of 2014 of \$3.0 million consisted primarily of \$2.9 million in employee withholding taxes paid by us upon employees' surrender of shares to satisfy withholding obligations on equity awards.

Net cash used in financing activities in the first three months of 2013 of \$0.7 million was primarily due to the vesting and issuance of stock to employees (less withholding taxes).

Off-Balance Sheet Arrangements

We do not have any other off-balance sheet arrangements other than our operating lease obligations and funding commitments pursuant to our surety bonds.

Summary of Contractual Obligations

The following table sets forth below our contractual obligations and commercial commitments as of December 31, 2013. There have been no material changes to our contractual obligations since December 31, 2013.

Contractual Obligations	Payments Due By Period as of December 31, 2013				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Loan loss reserve ^(a)	\$ 28,543	\$ 28,543	\$ —	\$ —	\$ —
Operating lease obligations ^(b)	2,812	1,809	1,003	—	—
Total contractual obligations	\$ 31,355	30,352	1,003	—	—

(a) Our HLC subsidiary continues to be liable for the indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of our LendingTree Loans business in the second quarter of 2012. An estimate of these obligations is reflected within current liabilities of discontinued operations on the December 31, 2013 consolidated balance sheet. We have been negotiating with certain secondary market purchasers to settle any existing and future contingent liabilities. Due to uncertainties in the timing of these negotiations, which could occur at any time, the balance of the loan loss reserve has been reflected as due in less than one year.

(b) Our operating lease obligations are associated with office space, equipment and services used in both our continuing and discontinued operations. These obligations have not been reduced by the \$0.4 million of minimum sublease rental income to be received in the future under non-cancelable subleases.

Seasonality

Revenue is subject to the cyclical and seasonal trends of the U.S. housing and mortgage markets. Home sales typically rise during the spring and summer months and decline during the fall and winter months, while refinancing and home equity activity is principally driven by mortgage interest rates as well as real estate values. However, in recent periods additional factors affecting the mortgage and real estate markets have impacted customary seasonal trends.

New Accounting Pronouncements

There are no recently issued accounting pronouncements that were adopted during the quarter ended March 31, 2014 or that are expected to impact the Company's consolidated financial statements.

Tree.com's Principles of Financial Reporting

We report Earnings Before Interest, Taxes, Depreciation and Amortization, adjusted for certain items discussed below (Adjusted EBITDA), as a supplemental measure to GAAP. This measure is one of the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to the same set of tools that we use in analyzing our results. This non-GAAP measure 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. We provide and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measure discussed below.

Definition of Adjusted EBITDA

We report Adjusted EBITDA as operating income or loss (which excludes interest expense and taxes) adjusted to exclude amortization of intangibles and depreciation, and to further exclude (1) non-cash compensation expense, (2) non-cash intangible asset impairment charges, (3) gain/loss on disposal of assets, (4) restructuring and severance expenses, (5) litigation settlements and contingencies and legal fees for certain patent litigation, (6) 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 our statement of operations of certain expenses, including depreciation, non-cash compensation and acquisition-related accounting. We endeavor to compensate for the limitations of the non-GAAP measures 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 measures. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

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, except for \$0.9 million related to a discretionary cash bonus payment to employee stock option holders in the first quarter of 2013.

Non-Cash Expenses that are Excluded from Adjusted EBITDA

Non-cash compensation expense consists principally of expense associated with grants of restricted stock, restricted stock units and stock options. These expenses are not paid in cash, and we include the related shares in our calculations of fully diluted shares outstanding. Upon settlement of restricted stock units, exercise of certain stock options or vesting of restricted stock awards, the awards may be settled, on a net basis, with us remitting the required tax withholding amount from our current funds.

Amortization of intangibles are non-cash expenses relating primarily to intangible assets acquired through 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.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

We do not have any financial instruments that are exposed to significant market risk. We maintain our cash and cash equivalents in short-term, highly liquid money market investments. A hypothetical 100-basis point increase or decrease in market interest rates would not have a material impact on the fair value of our cash equivalents and marketable securities or our results of operations or cash flows.

Fluctuations in interest rates affect consumer demand for new mortgages and the level of refinancing activity which, in turn, affects lender demand for mortgage leads. Typically, a decline in mortgage interest rates will lead to reduced lender demand for leads from third-party sources, as there are more consumers in the marketplace seeking refinancings and, accordingly, lenders receive more organic lead volume. Conversely, an increase in mortgage interest rates will typically lead to an increase in lender demand for third-party leads, as there are fewer consumers in the marketplace and, accordingly, the supply of organic mortgage lead volume decreases.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), evaluated, as of the end of the period covered by this report, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of March 31, 2014, to reasonably ensure that information required to be disclosed and filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified, and that management will be timely alerted to material information required to be included in our periodic reports filed with the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our first fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are party to litigation involving property, contract, intellectual property and a variety of other claims. The amounts that may be recovered in such matters may be subject to insurance coverage. We have provided information about certain legal proceedings in which we are involved in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 10-K"), and updated that information in Note 11 to the consolidated financial statements included elsewhere in this report.

Item 1A. Risk Factors

Other than the risk factor set forth below, there have been no material changes to the risk factors included in Part I, Item 1A—Risk Factors of the 2013 Form 10-K.

We may fail to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We regard our intellectual property rights, including patents, service marks, trademarks and domain names, copyrights, trade secrets and similar intellectual property (as applicable), as critical to our success. Our businesses also rely heavily upon software codes, informational databases and other components that make up their products and services.

We rely on a combination of laws and contractual restrictions with employees, customers, suppliers, affiliates and others to establish and protect these proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use trade secrets or copyrighted intellectual property without authorization which, if discovered, might require legal action to correct. In addition, third parties may independently and lawfully develop substantially similar intellectual properties.

We have generally registered and continue to apply to register, or secure by contract when appropriate, our principal trademarks and service marks as they are developed and used, and reserve and register domain names when and where we deem appropriate. We generally consider the protection of our trademarks to be important for purposes of brand maintenance and reputation. While we vigorously protect our trademarks, service marks and domain names, effective trademark protection may not be available or may not be sought in every country in which products and services are made available, and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available or be registered, even if available. Our failure to protect our intellectual property rights in a meaningful manner or challenges to related contractual rights could result in erosion of brand names and limit our ability to control marketing on or through the Internet using our various domain names or otherwise, which could adversely affect our business, financial condition and results of operations.

We have been granted patents and we have patent applications pending with the United States Patent and Trademark Office and various foreign patent authorities for various proprietary technologies and other inventions. The status of any patent involves

complex legal and factual questions, and the breadth of claims allowed is uncertain. Accordingly, any patent application filed may not result in a patent being issued, and any issued patents may not be adjudicated valid by a court or afford adequate protection against competitors with similar technology. In March 2014, a federal jury found our two issued patents invalid due to inventorship defects. In addition, third parties may create new products or methods that achieve similar results without infringing upon patents that we own.

Likewise, the issuance of a patent to us does not mean that our processes or inventions will be found not to infringe upon patents or other rights previously issued to third parties.

From time to time, in the ordinary course of business we are subjected to legal proceedings, claims and counterclaims, or threatened legal proceedings, claims or counterclaims, including allegations of infringement of the trademarks, copyrights, patents and other intellectual property rights of third parties. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Patent litigation tends to be particularly protracted and expensive. During the first quarter of 2014, we participated in a jury trial for the litigation described in Note 11—Contingencies to the consolidated financial statements included elsewhere in this report. The legal expenses associated with this jury trial were material, and negatively affected our results of operations for 2013 and the first quarter of 2014. We have filed a notice of appeal, and certain matters remain pending with the court, including the Company's motions for a new trial and to correct inventorship and the defendants' motions for sanctions and awards of attorneys' fees. Accordingly, we will continue to incur expenses on this matter, and these expenses together with the possibility of an adverse result on any of these post-trial matters may have a material adverse effect on our future financial condition and results of operations.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Issuer Purchases of Equity Securities

On January 11, 2010, the board of directors approved a stock repurchase program which allowed for the repurchase of up to \$10 million of our common stock. At March 31, 2014, approximately \$0.8 million remained authorized for share repurchase under this program. On May 7, 2014, the board of directors authorized an additional \$10 million to the stock repurchase program. Under this program, we can repurchase stock in the open market or through privately-negotiated transactions. We began this program in February 2010 and we have used available cash to finance these repurchases. We will determine the timing and amount of any additional repurchases based on our evaluation of market conditions, applicable SEC guidelines and regulations, and other factors. This program may be suspended or discontinued at any time at the discretion of our board of directors. We did not repurchase any equity securities during the quarter ended March 31, 2014.

Additionally, the Tree.com Third Amended and Restated 2008 Stock and Award Incentive Plan allows employees to forfeit shares of our common stock to satisfy federal and state withholding obligations upon the exercise of stock options, the settlement of restricted stock unit awards and the vesting of restricted stock awards granted to those individuals under this plan. During the quarter ended March 31, 2014, all of the shares purchased were related to these obligations under the Tree.com Third Amended and Restated 2008 Stock and Award Incentive Plan. The withholding of those shares does not affect the dollar amount or number of shares that may be purchased under the stock repurchase program described above.

The following table provides information about the company's purchases of equity securities during the quarter ended March 31, 2014.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number/Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs ^(a) <i>(in thousands)</i>
January 2014	3,638	\$ 32.63	—	\$ 771
February 2014	84,131	\$ 33.00	—	\$ 771
March 2014	387	\$ 31.96	—	\$ 771
Total	88,156	\$ 32.98	—	\$ 771

(a) The \$0.8 million reflected excludes the additional \$10 million authorized by the board of directors on May 7, 2014 to the stock repurchase program.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	Description	Location
10.1	Employment Agreement dated January 9, 2014 between Tree.com, Inc. and Douglas R. Lebda	†
10.2	Employment Agreement dated January 9, 2014 between Tree.com, Inc. and Gabriel Dalporto	†
10.3	Form of Notice of Restricted Stock Unit Award	†
10.4	Form of Notice of Restricted Stock Award	†
10.5	Form of Notice of Stock Option Award	†
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	†
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	†
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	††
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	††
101.INS	XBRL Instance Document	†††
101.SCH	XBRL Taxonomy Extension Schema Document	†††
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	†††
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	†††
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	†††
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	†††

† Filed herewith

†† This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

††† Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of January 9, 2014 (the "Agreement Date"), is entered into by and between Douglas R. Lebda ("Employee") and Tree.com, Inc. (the "Company").

WHEREAS, Employee is currently serving as Chairman and Chief Executive Officer of the Company;

WHEREAS, Employee and the Company were parties to an Amended and Restated Employment Agreement, dated October 26, 2010 (the "Prior Agreement") which expired on January 6, 2013; and

WHEREAS, Employee and the Company now wish to enter into this Agreement on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Employee and the Company have agreed and do hereby agree as follows:

1A. **EMPLOYMENT.** The Company agrees to continue to employ Employee as Chairman and Chief Executive Officer as of the Agreement Date and Employee accepts and agrees to such employment. During Employee's employment with the Company, Employee shall perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with Employee's position and shall render such services on the terms set forth herein. During Employee's employment with the Company, Employee shall report to the Board of Directors of the Company. Employee agrees to devote all of Employee's working time, attention and efforts to the Company and to perform the duties of Employee's position in accordance with the Company's policies as in effect from time to time.

Notwithstanding anything to the contrary above, Employee may serve as a corporate board member for up to two (2) organizations as Employee may reasonably determine from time to time, provided said service does not (a) interfere with Employee's ability to perform his duties for the Company as contemplated hereunder, and (b) compete with, or present an actual or apparent conflict of interest for, the Company, which shall be determined by the Board of Directors of the Company, in its sole, good faith judgment. The Company acknowledges that as of the Agreement Date, Employee is serving as a corporate board member for Recyclebank, Inc.

2A. **TERM OF AGREEMENT.** The term ("Term") of this Agreement shall commence on the Agreement Date and shall continue through the third anniversary of the Agreement Date, unless sooner terminated in accordance with the provisions of Section 1 of the Standard Terms and Conditions attached hereto; provided that certain terms and conditions herein may specify a greater period of effectiveness. Employee and the Company will enter into good faith negotiations to extend the Term no later than six months prior to the end of the Term, provided, that Employee has provided written notice to the Company between eight and six months prior to the end of the Term which sets forth his interest in entering into such negotiations. For purposes of clarity, if the Agreement is not renewed in accordance with this Section 2A, the Agreement shall automatically expire at the end of the Term. Such expiration shall not entitle Employee to any compensation or benefits except as earned by Employee through the date of expiration of the Term.

3A. **COMPENSATION.**

(a) **BASE SALARY.** During the Term, the Company shall pay Employee an annual base salary of \$600,000 (the "Base Salary") payable in equal biweekly installments or in such other installments as may be in accordance with the Company's standard payroll practices as in effect from time to time. The Base Salary shall be reviewed by the Company as the Company determines to be appropriate or, if requested by Employee in writing, no less frequently than annually in a manner consistent with similarly situated executives of the Company and may be increased but not decreased. For all purposes under this Agreement, the term "Base Salary" shall refer to the Base Salary as in effect from time to time.

(b) **ANNUAL BONUS.** During the Term, Employee shall be eligible to receive a target annual bonus of up to 125% of his Base Salary with respect to each fiscal year of the Company (each a "Performance Year") during the Term, beginning with the Performance Year that began on January 1, 2013. The terms and conditions of the annual bonus, including the applicable performance criteria for a Performance Year, and the amount of the annual bonus payable to Employee for a Performance Year, if any, shall be determined by the Company's Compensation Committee in its sole discretion. Except as expressly provided in this Agreement, the annual bonus will be paid in accordance with Company's standard policies and procedures for the payment of annual bonuses to its other similarly situated employees.

(c) **BENEFITS.** During the Term, Employee shall be eligible to participate in any welfare, health, life insurance, pension benefit and incentive plans, programs, policies and practices as may be adopted from time to time by the Company on the same basis as that provided to similarly situated employees of the Company generally. Without limiting the generality of the foregoing, Employee shall be eligible for the following benefits:

(i) **Reimbursement for Business Expenses.** During the Term, the Company shall reimburse Employee for all reasonable and necessary expenses incurred by Employee in performing Employee's duties for the Company, on the same basis as similarly situated employees of the Company generally and in accordance with the Company's policies as in effect from time to time.

(ii) **Vacation.** During the Term, Employee shall be eligible for paid vacation in accordance with the plans, policies, programs and practices of the Company applicable to similarly situated employees of the Company generally.

4A. **NOTICES.** All notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by the recipient personally, and shall be deemed to have been duly given three days after mailing or immediately upon duly acknowledged hand delivery, as applicable, to the respective persons named below:

If to the Company: Tree.com, Inc.
11115 Rushmore Drive
Charlotte, NC 28277
Attention: Senior Vice President of Human Resources & Administration

If to the Employee: At the most recent address on file at the Company.

Either party may change such party's address for notices by notice duly given pursuant hereto.

5A. **GOVERNING LAW, JURISDICTION.** This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of North Carolina without reference to the principles of conflicts of laws. Any and all disputes between the parties which may arise pursuant to this Agreement will be heard and determined solely before an appropriate federal court in the State of North Carolina, or, if not maintainable therein, then in an appropriate North Carolina state court. The parties acknowledge that such courts have jurisdiction to interpret and enforce the provisions of this Agreement, and the parties consent to, and waive any and all objections that they may have as to, personal jurisdiction and/or venue in such courts.

6A. **COUNTERPARTS.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Employee expressly understands and acknowledges that the Standard Terms and Conditions attached hereto are incorporated herein by reference, deemed a part of this Agreement and are binding and enforceable provisions of this Agreement. References to "this Agreement" or the use of the term "hereof" shall refer to this Agreement and the Standard Terms and Conditions attached hereto, taken as a whole.

7A. **EFFECT ON PRIOR AGREEMENT.** This Agreement constitutes the entire agreement between the parties and supersedes any prior agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Employee has executed and delivered this Agreement as of the date set forth above.

TREE.COM

By: /s/ E. Claudette Hampton
Name: E. Claudette Hampton
Title: Senior Vice President, Human Resources & Administration

EMPLOYEE

By: /s/ Douglas R. Lebda
Name: Douglas R. Lebda
Title: Chairman & Chief Executive Officer

STANDARD TERMS AND CONDITIONS

1. TERMINATION OF EMPLOYEE'S EMPLOYMENT.

(a) DEATH. Upon termination of Employee's employment prior to the expiration of the Term by reason of Employee's death, the Company shall pay Employee's designated beneficiary or beneficiaries, within 30 days of Employee's death in a lump sum in cash, (i) Employee's Base Salary from the date of Employee's death through the end of the month in which Employee's death occurs and (ii) any Accrued Obligations (as defined in Section 1(f) below).

(b) DISABILITY. Upon termination of Employee's employment prior to expiration of the Term by reason of Employee's Disability, the Company shall pay Employee, within 30 days of such termination in a lump sum in cash, (i) Employee's Base Salary from the date of Employee's termination of employment due to Disability through the end of the month in which such termination occurs, offset by any amounts payable to Employee under any disability insurance plan or policy provided by the Company and (ii) any Accrued Obligations (as defined in Section 1(f) below). "Disability" shall mean a condition, resulting from bodily injury or disease, that renders, and for a six consecutive month period has rendered, Employee unable to perform substantially the duties pertaining to his employment with the Company. A return to work of less than 14 consecutive days will not be considered an interruption in Employee's six consecutive months of disability. Disability will be determined by the Company on the basis of medical evidence satisfactory to the Company.

(c) TERMINATION FOR CAUSE: RESIGNATION BY EMPLOYEE WITHOUT GOOD REASON. The Company may terminate Employee's employment under this Agreement with or without Cause at any time. Upon termination of Employee's employment prior to expiration of the Term by the Company for Cause or upon Employee's resignation without Good Reason, this Agreement shall terminate without further obligation by the Company, except for the payment of any Accrued Obligations (as defined in Section 1(f) below) within thirty (30) days of such termination. As used herein, "Cause" shall mean: (i) the plea of guilty or nolo contendere to, or conviction for, a felony offense; provided however , that after indictment, the Company may suspend Employee from the rendition of services, but without limiting or modifying in any other way the Company's obligations to Employee under this Agreement; provided , further that Employee's employment shall be immediately reinstated if the indictment is dismissed or otherwise dropped and there is not otherwise grounds to terminate Employee's employment for Cause; (ii) a material breach by Employee of a fiduciary duty owed to the Company; (iii) a material breach by Employee of any of the covenants made by Employee in Section 2 hereof; or (iv) the willful or gross neglect by Employee of the material duties required by this Agreement. Before a cessation of Employee's employment shall be deemed to be a termination of Employee's employment for Cause, (A) the Company shall provide written notice to Employee that identifies the conduct described in clauses (ii), (iii) or (iv) above, as applicable, and (B) in the event that the event or condition is curable, Employee shall have failed to remedy such event or condition within 30 days after Employee shall have received the written notice from the Company described above. As used herein, "Good Reason" shall mean the occurrence of any of the following without Employee's written consent, (i) a material adverse change in Employee's, title, duties, operational authorities or reporting responsibilities as they relate to Employee's position as Chairman and Chief Executive Officer of the Company from those in effect immediately following the Agreement Date, excluding for this purpose any such change that is an isolated and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Employee, (ii) a material reduction in Employee's annual base salary, (iii) a relocation of Employee's principal place of business more than 25 miles from the Charlotte, North Carolina metropolitan area, or (iv) a material breach by the Company of this Agreement, excluding for this purpose any such action that is an isolated and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Employee.

(d) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE; RESIGNATION BY EMPLOYEE FOR GOOD REASON. Upon termination of Employee's employment with the Company prior to expiration of the Term (i) by the Company without Cause (other than for death or Disability) or (ii) upon Employee's resignation for Good Reason (either such termination, a "Qualifying Termination"), Employee shall receive the payments and benefits described in clauses (A) through (C) below, but only if Employee executes and does not revoke a general release of the Company and its affiliates substantially in the form attached hereto as Exhibit A (the "Release") and Employee complies with Sections 2(a) through 2(e). If Employee does not execute the Release within forty-five (45) days following the Qualifying Termination, or if Employee revokes the Release (the end of the permitted revocation period following execution without revocation being exercised, the "Release Effective Date"), Employee's entitlement to the payments and benefits described in clauses (A) through (C) below shall immediately become null and void.

(A) An amount (the "Severance Amount") equal to the greater of:

(i) the amount of Base Salary (calculated using Employee's then-current Base Salary) that Employee would have received had his employment continued over the period commencing on the date of the Qualifying Termination and ending on the second anniversary of the date of the Qualifying Termination, or

(ii) one times Employee's then-current Base Salary plus Employee's target annual bonus for the bonus program in effect for Employee for the year in which Employee's employment terminates.

The Severance Amount shall be paid in substantially equal payments over two years in accordance with the Company's normal payroll practices in effect at the time of Employee's termination of employment beginning on the regularly scheduled payroll date immediately following the Release Effective Date; provided, however, that if the Severance Amount is determined to be "nonqualified deferred compensation" that is subject to Section 409A (as defined below), then the first installment shall be made on the sixtieth (60th) day following the date of the Qualifying Termination and shall include the amount of all payments that would have been made after the Release Effective Date but before the sixtieth (60th) day following such Qualifying Termination, and the remaining Severance Amount shall be payable in installments as specified above on the Company's regularly scheduled payroll dates following the sixtieth (60th) day following such Qualifying Termination;

(B) a lump sum cash payment equal to any Accrued Obligations payable within thirty (30) days of the Qualifying Termination; and

(C) to the extent previously granted, the Employee shall be fully vested in all outstanding equity awards that he holds on the termination date, and any Company stock option awards shall remain exercisable for a period of twenty-four months from the date of such termination; provided that no option will be exercisable beyond the outside date for exercise specified therein or beyond termination of such option for a reason other than Employee's termination of service. Employee understands that any incentive stock options he holds will no longer be deemed incentive stock options under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), if exercised more than three months after termination of employment.

Notwithstanding the foregoing, in no event shall Employee's resignation be for Good Reason unless (x) an event or circumstance set forth in any of clauses (i) through (iv) of the definition thereof shall have occurred and Employee provides the Company with written notice thereof within forty-five (45) days after Employee has knowledge of the occurrence or existence of such event or circumstance, which notice specifically identifies the event or circumstance that Employee believes constitutes Good Reason, (y) the Company fails to correct the circumstance or event so identified within thirty (30) days after the receipt of such notice, and (z) Employee resigns within ninety (90) days after the date of delivery of the notice referred to in clause (x) above.

(e) MITIGATION; OFFSET. In the event of a termination of Employee's employment prior to the end of the Term, in no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of severance benefits or other compensation or benefits. If Employee obtains other employment during the Term, the amount of any severance payments to be made to Employee under Section 1(d) hereof after the date such employment is secured shall be offset by the amount of compensation earned by Employee from such employment through the end of the Term. For purposes of this Section 1(e), Employee shall have an obligation to inform the Company promptly regarding Employee's employment status following termination and during the period encompassing the Term.

(f) ACCRUED OBLIGATIONS. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) any portion of Employee's accrued but unpaid Base Salary through the date of death or termination of employment for any reason, as the case may be; (ii) any compensation previously earned but deferred by Employee (together with any interest or earnings thereon) that has not yet been paid, (iii) any reasonable and necessary business expenses incurred by Employee prior to the date of termination of employment but not yet reimbursed and (iv) any benefits earned by Employee but unpaid or unused at the date of termination of employment provided that the payout of these benefits is consistent with the plans, policies, programs and practices of the Company at the date of termination of employment.

(g) QUALIFYING TERMINATION WITHIN ONE YEAR FOLLOWING CHANGE IN CONTROL. Reference is made to the change in control letter issued by Company to certain executives of Company, as the same may be revised from time to time (the "CIC Letter"). In the event that Employee experiences a Qualifying Termination within the one-year period following a Change in Control (as defined in the CIC Letter), the terms of the CIC Letter, as it may be amended from time to time, shall control and supersede the terms of this Agreement with respect to any benefits or payments which would otherwise be due hereunder.

2. CONFIDENTIAL INFORMATION; NON-COMPETE; NON-SOLICITATION; AND PROPRIETARY RIGHTS. Executive covenants as follows, except in the event of a Qualifying Termination within one year following a Change in Control (in which instance, Executive agrees to be bound by the terms of the CIC Letter):

(a) CONFIDENTIALITY. Employee acknowledges that while employed by the Company, Employee will occupy a position of trust and confidence. Employee shall not, except as may be required to perform Employee's duties hereunder or as required by applicable law, disclose to others or use, whether directly or indirectly, any Confidential Information. "Confidential Information" shall mean information about the Company or any of its subsidiaries or affiliates, and their clients and customers that is not disclosed by the Company or any of its subsidiaries or affiliates for financial reporting purposes and that was learned by Employee in the course of employment with the Company or any of its subsidiaries or affiliates, including without limitation any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including computer records) of the documents containing such Confidential Information. Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and its subsidiaries or affiliates, and that such information gives the Company and its subsidiaries or affiliates a competitive advantage. Employee agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of Employee's employment or as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company and its subsidiaries or affiliates or prepared by Employee in the course of Employee's employment by the Company and its subsidiaries or affiliates. As used in this Agreement, "affiliates" shall mean any company controlled by, controlling or under common control with the Company.

(b) NON-COMPETITION. During the Term and for a period of 24 months beyond Employee's date of termination of employment for any reason following the date hereof (the "Restricted Period"), Employee shall not, without the prior written consent of the Company, directly or indirectly, engage in or become associated with a Competitive Activity. For purposes of this Section 2(b): (i) a "Competitive Activity" means any business or other endeavor, in any state of the United States or a comparable jurisdiction in

Canada or any other country, involving products or services that are the same or similar to the type of products or services that the Company is engaged in providing both (x) as of the date hereof or at any time during the Term and (y) at any time during the twelve (12) month period preceding Employee's termination of employment, and (ii) Employee shall be considered to have become "associated with a Competitive Activity" if Employee becomes directly or indirectly involved as an owner, principal, employee, officer, director, independent contractor, representative, stockholder, financial backer, agent, partner, member, advisor, lender, or in any other individual or representative capacity with any individual, partnership, corporation or other organization that is engaged in a Competitive Activity. Notwithstanding the foregoing, (i) Employee may make and retain investments during the Restricted Period, for investment purposes only, in less than one percent (1%) of the outstanding capital stock of any publicly-traded corporation engaged in a Competitive Activity if the stock of such corporation is either listed on a national stock exchange or on the NASDAQ National Market System if Employee is not otherwise affiliated with such corporation and (ii) Employee may become employed by a partnership, corporation or other organization that is engaged in a Competitive Activity so long as Employee has no direct or indirect responsibilities or involvement in the Competitive Activity. Notwithstanding the foregoing and exclusively with respect to Employee's termination of employment pursuant to Section 1(g), the Restricted Period shall be reduced from 24 months to 12 months following Employee's date of termination, solely to the extent applicable to Competitive Activity unrelated to online lending.

(c) NON-SOLICITATION OF EMPLOYEES. During the Restricted Period, Employee shall not, without the prior written consent of the Company, directly or indirectly, hire or recruit or solicit the employment or services of (whether as an employee, officer, director, agent, consultant or independent contractor), any employee, officer, director, agent, consultant or independent contractor of the Company or any of its subsidiaries or affiliates (except for such employment or hiring by the Company or any of its subsidiaries or affiliates); provided, however that this Section 2(c) shall not apply to any hiring which results solely from a general solicitation of employment that was not directed to employees of the Company or any of its subsidiaries or affiliates. Notwithstanding the foregoing and exclusively with respect to Employee's termination of employment pursuant to Section 1(g), the Restricted Period shall be reduced from 24 months to 12 months following Employee's date of termination, solely to the extent applicable to Competitive Activity unrelated to online lending.

(d) NON-SOLICITATION OF BUSINESS PARTNERS. During the Restricted Period, Employee shall not, without the prior written consent of the Company, directly or indirectly, solicit, attempt to do business with, or do business with any business partners or business affiliates of the Company or any of its subsidiaries or those affiliates of the Company that are engaged in a Competitive Activity, or encourage (regardless of who initiates the contact) any such business partners or business affiliates to use the services of any competitor of the Company, its subsidiaries or affiliates. Notwithstanding the foregoing and exclusively with respect to Employee's termination of employment pursuant to Section 1(g), the Restricted Period shall be reduced from 24 months to 12 months following Employee's date of termination, solely to the extent applicable to Competitive Activity unrelated to online lending.

(e) PROPRIETARY RIGHTS; ASSIGNMENT. All Employee Developments shall be made for hire by Employee for the Company or any of its subsidiaries or affiliates. "Employee Developments" means any idea, discovery, invention, design, method, technique, improvement, enhancement, development, computer program, machine, algorithm or other work or authorship that (i) relates to the business or operations of the Company or any of its subsidiaries or affiliates, or (ii) results from or is suggested by any undertaking assigned to the Employee or work performed by the Employee for or on behalf of the Company or any of its subsidiaries or affiliates, whether created alone or with others, during or after working hours. All Confidential Information and all Employee Developments shall remain the sole property of the Company or any of its subsidiaries or affiliates. The Employee shall acquire no proprietary interest in any Confidential Information or Employee Developments developed or acquired during the Term. To the extent the Employee may, by operation of law or otherwise, acquire any right, title or interest in or to any Confidential Information or Employee Development, the Employee hereby assigns to the Company all such proprietary rights. The Employee shall, both during and after the Term, upon the Company's request,

promptly execute and deliver to the Company all such assignments, certificates and instruments, and shall promptly perform such other acts, as the Company may from time to time in its discretion deem necessary or desirable to evidence, establish, maintain, perfect, enforce or defend the Company's rights in Confidential Information and Employee Developments.

(f) COMPLIANCE WITH POLICIES AND PROCEDURES. During the Term, Employee shall adhere to the policies and standards of professionalism set forth in the Company's policies and procedures as they may exist from time to time.

(g) REMEDIES FOR BREACH. Employee expressly agrees and understands that Employee will notify the Company in writing of any alleged breach of this Agreement by the Company, and the Company will have 30 days from receipt of Employee's notice to cure any such breach.

Employee expressly agrees and understands that the remedy at law for any breach by Employee of this Section 2 will be inadequate and that damages flowing from such breach are not usually susceptible to being measured in monetary terms. Accordingly, it is acknowledged that upon Employee's violation of any provision of this Section 2, in addition to any remedy that the Company may have at law, the Company shall be entitled to obtain from any court of competent jurisdiction immediate injunctive relief and obtain a temporary order restraining any threatened or further breach as well as an equitable accounting of all profits or benefits arising out of such violation. Nothing in this Section 2 shall be deemed to limit the Company's remedies at law or in equity for any breach by Employee of any of the provisions of this Section 2, which may be pursued by or available to the Company.

(h) SURVIVAL OF PROVISIONS. The obligations contained in this Section 2 shall, to the extent provided in this Section 2, survive the termination or expiration of Employee's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state. If any of the covenants of this Section 2 are determined to be wholly or partially unenforceable in any jurisdiction, such determination shall not be a bar to or in any way diminish the rights of the Company or its affiliates, as applicable, to enforce any such covenant in any other jurisdiction.

3. WAIVER OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties, and Employee acknowledges that he has waived, effective as of the Agreement Date, any and all rights under prior agreements and understandings (whether written or oral) between Employee with respect to the subject matter of this Agreement. Employee acknowledges and agrees that neither the Company nor anyone acting on its behalf has made, and is not making, and in executing this Agreement, the Employee has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement.

4. ASSIGNMENT; SUCCESSORS. This Agreement is personal in its nature and none of the parties hereto shall, without the consent of the others, assign or transfer this Agreement or any rights or obligations hereunder; provided that, in the event of a merger, consolidation, transfer, reorganization, or sale of all, substantially all or a substantial portion of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor (including the Company upon assignment of this Agreement) shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder, and all references herein to the "Company" shall refer to such successor.

5. WITHHOLDING. The Company shall make such deductions and withhold such amounts from each payment and benefit made or provided to Employee hereunder, as may be required from time to time by applicable law, governmental regulation or order.

6. HEADING REFERENCES. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. References to "this Agreement" or the use of the term "hereof" shall refer to these Standard Terms and Conditions and the Employment Agreement attached hereto, taken as a whole.

7. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

8. SEVERABILITY. In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any law or public policy, only the portions of this Agreement that violate such law or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

9. INDEMNIFICATION. The Company shall indemnify and hold Employee harmless for acts and omissions in Employee's capacity as an officer, director or employee of the Company to the maximum extent permitted under applicable law; provided, however that neither the Company, nor any of its subsidiaries or affiliates shall indemnify Employee for any losses incurred by Employee as a result of acts that would constitute Cause under Section 1(c) of this Agreement. This Section 9 shall survive the termination or expiration of Employee's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement.

10. SECTION 280G LIMITATION. Notwithstanding anything in this Agreement to the contrary, in the event that any payment or benefit received or to be received by Employee (all such payments and benefits being hereinafter referred to as the "Total Payments") would not be deductible (in whole or part) by the Company or any affiliates making such payment or providing such benefit as a result of Section 280G of the U.S. Internal Revenue Code of 1986, as amended (the "Code") then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments required by any similar reduction or elimination provision contained in such other plan, arrangement or agreement), the portion of the Total Payments that does not constitute "nonqualified deferred compensation" under Section 409A of the Code shall first be reduced (if necessary, to zero), and all other Total Payments shall thereafter be reduced (if necessary, to zero) with, in each case, cash payments being reduced before non-cash payments (and, within each category, payments to be paid last being reduced first); provided, however, that such reduction shall only be made if the amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to the amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of the excise tax imposed under Section 4999 of the Code on such unreduced Total Payments). Any determination required to be made under this paragraph shall be made by independent tax counsel reasonably acceptable to both Employee and the Company, and shall be paid for by the Company ("Tax Counsel").

It is possible that, after the determinations and selections made pursuant to the foregoing paragraph, Employee will receive payments and/or benefits that are, in the aggregate, either more or less than the amount determined under such paragraph (hereafter referred to as an "Excess Payment" or "Underpayment", as applicable). If Tax Counsel determines that an Excess Payment has been made, then Employee shall promptly repay the Excess Payment to Employer, together with interest on the Excess Payment at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of Employee's receipt of such Excess Payment until the date of such repayment. If Tax Counsel determines that an Underpayment has occurred, Company shall promptly (but in any event within ten (10) days of such determination) pay to Employee an amount equal to the Underpayment, together with interest on such amount at the applicable federal rate from the date such amount would have been paid to Employee had the provisions of the foregoing paragraph not been applied until the date of payment.

11. SECTION 409A. The parties intend that any amounts payable hereunder shall comply with or be exempt from Section 409A of the Code ("Section 409A") (including under Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exceptions under subparagraph (iii) and subparagraph (v)(D)) and other applicable provisions of Treasury Regulation §§ 1.409A-1 through A-6). For purposes of Section 409A, each of the payments that may be made under this Agreement shall be deemed to be a separate payment. Employee and Company agree to negotiate in good faith to make amendments to the Agreement, as the parties mutually agree are necessary or desirable to avoid the imposition of taxes, penalties or interest under Section 409A. Neither Employee nor Company shall have the right to accelerate or defer the delivery of any such payments or benefits except (i) where payment may be made within a certain period of time, the timing of payment within such period will be in the sole discretion of Company, and (ii) to the extent specifically permitted or required by Section 409A. With respect to the time of payments of any amounts under the Agreement that are "deferred compensation" subject to Section 409A, references in the Agreement to "termination of employment" (and substantially similar phrases) shall mean "separation from service" within the meaning of Section 409A. Notwithstanding anything in this Agreement to the contrary, if Employee is considered a "specified employee" under Section 409A upon his separation from service and if payment of any amounts on account of Employee's separation from service under this Agreement is required to be delayed for a period of six months after separation from service in order to avoid taxation under Section 409A, payment of such amounts shall be delayed as required by Section 409A, and the accumulated amounts shall be paid in a lump sum payment within five business days after the end of the six-month delay period. If Employee dies during the six-month delay period prior to the payment of benefits, the amounts withheld on account of Section 409A shall be paid to the personal representative of Employee's estate within 60 days after the date of Employee's death. For the avoidance of doubt, it is intended that any expense reimbursement made to Employee hereunder shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made hereunder shall be determined to be "deferred compensation" within the meaning of Section 409A, then (i) the amount of the expense reimbursement during one taxable year shall not affect the amount of the expense reimbursement during any other taxable year, (ii) the expense reimbursement shall be made on or before the last day of Employee's taxable year following the year in which the expense was incurred and (iii) the right to expense reimbursement hereunder shall not be subject to liquidation or exchange for another benefit. While it is intended that all payments and benefits provided to Employee under this Agreement will be exempt from or comply with Section 409A, Company makes no representation or covenant to ensure that such payments and benefits are exempt from or compliant with Section 409A. Company will have no liability to Employee or any other party if a payment or benefit under this Agreement or otherwise is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. Employee further understands and agrees that Employee will be entirely responsible for any and all taxes imposed on Employee as a result of this Agreement.

12. RECOUPMENT. Notwithstanding anything in this Agreement to the contrary, any payments made or granted pursuant to this Agreement shall be subject to any recoupment or clawback policy that may be adopted by the Company from time to time and to any requirement of applicable law, regulation or listing standard that requires the Company to recoup or clawback compensation paid.

ACKNOWLEDGED AND AGREED:

Date: January 9, 2014

TREE.COM

By: /s/ E. Claudette Hampton
Name: E. Claudette Hampton
Title: Senior Vice President, Human Resources & Administration

EMPLOYEE

By: /s/ Douglas R. Lebda
Name: Douglas R. Lebda
Title: Chairman & Chief Executive Officer

EXHIBIT A

FORM OF RELEASE AGREEMENT

This Release Agreement ("Release") is entered into as of this _____ day of _____, hereinafter "Execution Date", by and between [Employee Full Name] (hereinafter "Employee"), and Tree.com, Inc. (hereinafter, the "Company"). The Employee and the Company are sometimes collectively referred to as the "Parties".

1. The Employee's employment with the Company is terminated effective [Month, Day, Year] (hereinafter "Termination Date"). The Parties have agreed to avoid and resolve any alleged existing or potential disagreements between them arising out of or connected with the Employee's employment with the Company including the termination thereof. The Company expressly disclaims any wrongdoing or any liability to the Employee.
2. The Company agrees to provide the Employee the severance benefits provided for in Section [1(d)][1(g)] of his/her Employment Agreement (the "Severance Benefits") with the Company, dated as of [], after he/she executes this Release [FOR 40+ and does not revoke it as permitted in Section 8 below, the expiration of such revocation period being the "Effective Date").
3. Employee represents that he/she has not filed, and will not file, any complaints, lawsuits, administrative complaints or charges relating to her employment with, or resignation from, the Company, excluding any action to enforce the Employment Agreement as it relates to the provision of the Severance Benefits or to Sections 3A(d) or 9[; provided, however, that nothing contained in this Section 3 shall prohibit you from bringing a claim to challenge the validity of the ADEA Release in Section 8 herein]. Employee agrees to release the Company, its subsidiaries, affiliates, and their respective parents, direct or indirect subsidiaries, divisions, affiliates and related companies or entities, regardless of its or their form of business organization, any predecessors, successors, joint ventures, and parents of any such entity, and any and all of their respective past or present shareholders, partners, directors, officers, employees, consultants, independent contractors, trustees, administrators, insurers, agents, attorneys, representatives and fiduciaries, including without limitation all persons acting by, through, under or in concert with any of them (collectively, the "Released Parties"), from any and all claims, charges, complaints, causes of action or demands of whatever kind or nature that Employee now has or has ever had against the Released Parties, whether known or unknown, arising from or relating to Employee's employment with or discharge from the Company, including but not limited to: wrongful or tortious termination; constructive discharge; implied or express employment contracts and/or estoppel; discrimination and/or retaliation under any federal, state or local statute or regulation, specifically including any claims Employee may have under the Fair Labor Standards Act, the Americans with Disabilities Act, Title VII of the Civil Rights Act of 1964 as amended, and the Family and Medical Leave Act; the discrimination or other employment laws of the State of [](1); any claims brought under any federal or state statute or regulation for non-payment of wages or other compensation, including grants of stock options or any other equity compensation; and libel, slander, or breach of contract other than the breach of this Release. This Release specifically excludes claims, charges, complaints, causes of action or demand that post-date the Termination Date [or the Effective Date, whichever is later].
4. Employee agrees to keep the fact that this Release exists and the terms of this Release in strict confidence except to his/her immediate family and his/her financial and legal advisors on a need-to-know basis.
5. Employee warrants that no promise or inducement has been offered for this Release other than as set forth herein and that this Release is executed without reliance upon any other promises or representations, oral or written. Any modification of this Release must be made in writing and be signed by Employee and the Company.
6. Employee will direct all employment verification inquiries to [HR Rep]. In response to inquiries regarding Employee's employment with the Company, the Company by and through its speaking agent

(s) agrees to provide only the following information: Employee's date of hire, the date her employment ended and rates of pay.

7. If any provision of this Release or compliance by Employee or the Company with any provision of the Release constitutes a violation of any law, or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, will be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, such provision, to the extent that it is in violation of law, unenforceable or void, will be deemed severable from the remaining provisions of this Release, which provisions will remain binding on both Employee and the Company. This Release is governed by, and construed and interpreted in accordance with the laws of the State of [], without regard to principles of conflicts of law. Employee consents to venue and personal jurisdiction in the State of [] for disputes arising under this Release. This Release represents the entire understanding with the Parties with respect to subject matter herein, no oral representations have been made or relied upon by the Parties.

8. [FOR EMPLOYEES OVER 40 ONLY - In further recognition of the above, Employee hereby releases and discharges the Released Parties from any and all claims, actions and causes of action that he/she may have against the Released Parties, as of the date of the execution of this Release, arising under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), and the applicable rules and regulations promulgated thereunder. The Employee acknowledges and understands that ADEA is a federal statute that prohibits discrimination on the basis of age in employment, benefits and benefit plans. Employee specifically agrees and acknowledges that: (A) the release in this Section 8 was granted in exchange for the receipt of consideration that exceeds the amount to which he/she would otherwise be entitled to receive upon termination of his/her employment; (B) his/her waiver of rights under this Release is knowing and voluntary as required under the Older Workers Benefit Protection Act; (B) that he/she has read and understands the terms of this Release; (C) he/she has hereby been advised in writing by the Company to consult with an attorney prior to executing this Release; (D) the Company has given him/her a period of up to twenty-one (21) days within which to consider this Release, which period shall be waived by the Employee's voluntary execution prior to the expiration of the twenty-one day period; and (E) following his/her execution of this Release he/she has seven (7) days in which to revoke his/her release as set forth in this Section 8 only and that, if he/she chooses not to so revoke, the Release in this Section 8 shall then become effective and enforceable and the payment listed above shall then be made to his/her in accordance with the terms of this Release. To cancel this Release, Employee understands that he/she must give a written revocation to the General Counsel of the Company at [], either by hand delivery or certified mail within the seven-day period. If he/she rescinds the Release, it will not become effective or enforceable and he/she will not be entitled to any benefits from the Company.]

9. **EMPLOYEE ACKNOWLEDGES AND AGREES THAT HE/SHE HAS CAREFULLY READ AND VOLUNTARILY SIGNED THIS RELEASE, THAT HE/SHE HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF HIS/HER CHOICE, AND THAT HE/SHE SIGNS THIS RELEASE WITH THE INTENT OF RELEASING THE COMPANY, ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS FROM ANY AND ALL CLAIMS.**

ACCEPTED AND AGREED TO:

[Company Name]

[Employee Full Name]

Dated: _____

Dated: _____

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made and entered into this 9th day of January 2014 (the "Effective Date") by and between Tree.com, Inc. ("Employer") and Gabriel Dalporto ("Executive") (each a "Party" and collectively, the "Parties").

WHEREAS, Executive has substantial expertise in online marketing; and

WHEREAS, Employer desires to continue to secure Executive's service and expertise in connection with Employer's business beginning on the Effective Date; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, Employer and Executive hereby agree as follows:

1. **Employment.** Upon the Effective Date, Employer shall employ and Executive agrees to be employed as Chief Marketing Officer and President, Mortgage. Executive shall do and perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with Executive's position and shall render such services on the terms set forth herein. Further, executive shall perform such different or other duties as may be assigned to Executive by Employer from time to time by Employer's Chief Executive Officer. Executive will devote Executive's full working time and best efforts to the diligent and faithful performance of such duties as may be entrusted to Executive from time to time by Employer, and shall observe and abide by the corporate policies and decisions of Employer in all business matters. Executive's principal place of employment shall be the offices of Employer located in Burlingame, CA; provided, however, that travel to the Employer's other offices or places of business activity may occasionally be required. Executive acknowledges that Employer may, in its sole discretion from time to time, change Executive's responsibilities or his direct/indirect reports without any effect hereunder.

2. **Term.**

a. **Initial Term.** Executive's employment shall be governed by the terms of this Agreement for the period beginning on the Effective Date and for one year from such date, unless earlier terminated as provided herein (the "Initial Term"). This Agreement will expire by its terms unless renewed in the manner set forth in Section 2.b below.

b. **Renewal Terms.** Upon the written request of the Executive to extend the Executive's term of employment under this Agreement at least sixty (60) days prior to the expiration of the Agreement, the Employer's Compensation Committee of the Board of Directors (the "Compensation Committee") shall consider extending the term of this Agreement. If Executive's request for an extension is approved by the Compensation Committee, this Agreement shall be extended by one additional year. Each such additional one-year period shall be referred to as a "Renewal Term" and, together with the Initial Term, the "Term". The maximum number of Renewal Terms shall be six; following the sixth Renewal Term, the Agreement shall automatically expire. For purposes of clarity, if the Agreement is not renewed in accordance with this Section 2.b, the Agreement shall

automatically expire at the end of the then-current term. Such expiration shall not entitle Executive to any compensation or benefits except as earned by Executive through the date of expiration or the then-current term.

3. Compensation. Employer shall pay and Executive shall accept as full consideration for the services to be rendered hereunder compensation consisting of the items listed below. Employer shall have no obligation to pay any such compensation for any period after the termination of Executive's employment, except as otherwise expressly provided.

(a) Base salary, paid pursuant to Employer's normal payroll practices, at an annual rate of \$350,000 or such other rate as may be established prospectively by the Compensation Committee from time to time ("Base Salary"). All such Base Salary payments shall be subject to deduction and withholding authorized or required by applicable law.

(b) Annual Bonus. During the Term, the Executive shall be eligible to receive a target annual bonus ("Annual Bonus") of up to 60% of his Base Salary with respect to each fiscal year of Employer (each a "Performance Year") during the Term, beginning with the Performance Year that began on January 1, 2013. The terms and conditions of the Annual Bonus, including the applicable performance criteria for a Performance Year, and the amount of the Annual Bonus payable to the Executive for a Performance Year, if any, shall be determined by the Employer's Compensation Committee. Except as expressly provided in this Agreement, the Annual Bonus will be paid in accordance with the Employer's standard policies and procedures for the payment of annual bonuses to its other similarly situated employees.

(c) Equity Incentives. During the Term, Executive shall be eligible to receive equity incentives, as determined in the discretion of the Compensation Committee, including, but not limited to restricted stock unit awards and/or stock options. Subject to the discretion of the Compensation Committee, equity incentives shall be granted to the Executive at the time the Employer normally grants such incentives generally and otherwise in accordance with applicable policies, practices, terms and conditions (including, but not limited to, vesting requirements), and provided further that Executive is employed by Employer on the date such incentives are awarded.

(d) Vacation and other Paid Time Off. During the Term, Executive shall be entitled to paid vacation and other paid time off each year, in accordance with applicable plans, policies, programs and practices applicable to similarly situated employees generally.

(e) Other. Such other benefits, payments, or items of compensation as are provided under the employee benefit plans of the Employer, or as are made available from time to time under compensation policies set by Employer for management employees of Employer having similar salary and level of responsibility.

(f) Reimbursement. Employer shall reimburse Executive, in accordance with the general policies and practices of Employer as in effect from time to time, for normal out-of-pocket expenses incurred by Executive in the ordinary course of business, including without limitation,

Employer's standard mileage allowance for business use of any personal vehicle, business related travel, customer entertainment, and professional organizations.

4. Disability or Death.

(a) Disability. If at any time during the Term of this Agreement, Executive incurs a Disability (as defined below), Executive's employment shall be immediately terminated as of the date of Executive's Disability. Upon executive's Disability, Employer shall pay Executive, in a single lump sum cash payment, on the next regularly scheduled payroll date following the date of such termination, an amount equal to the Accrued Obligations (as defined below); provided, however, that any Annual Bonus amounts payable as part of the Accrued Obligations shall be paid on the date that such amounts are paid by Employer to other executives in accordance with the Company's Annual Bonus plan as in effect at the date of such termination. For purposes of this Agreement, Executive shall be considered to have incurred a "Disability" if Executive has incurred a permanent and total disability (and no reasonable accommodation can be made to permit Executive to perform essential functions of his job) as determined under Employer's long-term disability plan applicable to Executive.

(b) Death. If Executive should die during the Term, Executive's employment and Employer's obligations hereunder (other than pro rata payment of Base Salary) shall terminate as of Executive's death. In such event, Employer shall pay Executive's estate, in a single lump sum on the next regularly scheduled payroll date following the date of such termination, the Accrued Obligations; provided, however, that any Annual Bonus amounts payable as part of the Accrued Obligations shall be paid on the date that such amounts are paid by Employer to other similarly situated executives in accordance with the Employer's Annual Bonus plan as in effect at the date of such termination. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) Executive's earned but unpaid Base Salary, (ii) any portion of Executive's earned but unpaid Annual Bonus relating to a previously completed Performance Year, (iii) any earned but unpaid Annual Bonus relating to the Performance Year in which the Executive is terminated; (iv) any compensation previously earned but deferred by Executive (together with any interest or earnings thereon) that has not yet been paid and that is not otherwise to be paid at a late date pursuant to the executive deferred compensation plan of Employer, if any, and (v) reimbursements that Executive is entitled to receive under paragraph 3(f) of the Agreement.

5. Termination by Employer.

(a) Cause. Employer may terminate the employment of Executive under this Agreement during its Term for Cause. "Cause" shall include Executive's fraud, dishonesty, theft, embezzlement, misconduct by Executive injurious to the Employer or any of its affiliates, conviction of, or entry of a plea of guilty or *nolo contendere* to, a crime that constitutes a felony or other crime involving moral turpitude, competition with Employer or any of its affiliates, unauthorized use of any trade secrets of Employer or any of its affiliates or Confidential Information (as defined below), a material violation of any policy, code or standard of ethics generally applicable to employees of the Employer, Executive's material breach of fiduciary duties owed to Employer, Executive's excessive and unexcused absenteeism unrelated to a disability, or, following written notice and a reasonable

opportunity to cure, gross neglect by Executive of the duties assigned to Executive. In such event (i) no further Base Salary shall be paid to Executive after the date of termination, and (ii) Executive shall not be eligible to receive any Annual Bonus relating to the Performance Year in which Executive's employment terminates in accordance with this paragraph. Executive shall retain only such rights to participate in other benefits as are required by the terms of those plans, Employer's policies, or applicable law.

(b) Termination by Employer other than for Death, Disability or Cause. Upon termination of Executive's employment with Employer prior to the expiration of the Term by Executive for Good Reason or by Employer without Cause (other than for death or Disability) ("Qualifying Termination"), Employer shall pay Executive the amounts described below. Notwithstanding the foregoing, Executive shall receive the payments and benefits described in subparagraphs (ii) - (iv) below if Executive executes and does not revoke a general release of Employer and its affiliates in a form substantially similar to that used for similarly situated executives of the Employer and its affiliates ("Release of Claims") and Executive complies with the restrictive covenants set forth herein. If Executive does not execute the Release of Claims within sixty (60) days following the Qualifying Termination, or if Executive revokes the Release of Claims (the end of the permitted revocation period following execution without revocation being exercised, the "Release of Claims Effective Date"), Executive's entitlement to the payments and benefits described in subparagraphs (ii) - (iv) below shall immediately become null and void. "Good Reason" shall mean the occurrence of any of the following without Executive's written consent: (i) material adverse change in Executive's title or the office to which Executive reports from those in effect immediately following the Effective Date, excluding for this purpose any such change that is an isolated and inadvertent action not taken in bad faith and that is remedied by Employer promptly after receipt of notice thereof given by Executive or that is authorized pursuant to this Agreement and further excluding a change in the office to which Executive reports due to internal restructuring, realignment or the resignation, promotion, demotion or a reorganization of managers within Employer; (ii) material reduction in Executive's annual base salary; or (iii) relocation of Executive's principal place of business more than 50 miles from the San Francisco, CA metropolitan area. In order to resign his employment for Good Reason, Executive must notify Employer in writing within fifteen (15) days of the initial existence of any event falling under (i) - (iii) and such notice shall describe in detail the facts and circumstances explaining why Executive believes a Good Reason event has occurred. Employer shall then have sixty (60) days following its receipt of such notice to cure or remedy such alleged Good Reason event such that Good Reason will not be deemed to exist for such event. If the event remains uncured or is not remedied by Employer within such sixty (60) day period and if Executive's employment has not otherwise been terminated, then a Qualifying Termination shall automatically occur on the first business day following the end of such sixty (60) day cure/remedy period.

- (i) An amount equal to all Accrued Obligations within 30 days following the date of such Qualifying Termination, except for (a) accrued wages which shall be paid on date of the Qualifying Termination and (b) Annual Bonus amounts which shall be paid on the date that such amounts are paid by Employer to other similarly situated executives in accordance with Employer's Annual Bonus plan as in effect at the date of such termination.

- (ii) An amount equal to one (1) year of Executive's then-current Base Salary, payable in installments on Employer's regularly scheduled payroll dates over the one (1) year period following the date of such Qualifying Termination ("Salary Continuation Payments") beginning on the regularly scheduled payroll date immediately following the Release of Claims Effective Date. Notwithstanding the foregoing, if the Salary Continuation Payments are determined to be "nonqualified deferred compensation" that is subject to Section 409A (as defined below), then the first installment shall be made on the sixtieth (60th) day following the date of Executive's Qualifying Termination and shall include the amount of all payments that would have been made after the effective date of the Release of Claims but before the sixtieth (60th) day following such Qualifying Termination, and the remaining Salary Continuation Payments shall be payable in installments on Employer's regularly scheduled paydays following the Sixtieth (60th) day following such Qualifying Termination.
- (iii) Payment of premiums for continuation of health care coverage under COBRA for a period equal to one (1) year from the loss of coverage at the same level in effect at the time of termination of Executive's employment, provided that Executive elects COBRA continuation coverage.
- (iv) If the Qualifying Termination occurs between March 1 and December 31, all Executive's Restricted Stock Units ("RSUs") issued pursuant to Tree.com, Inc.'s 2008 Stock and Annual Incentive Plan (the "Plan") that have future vesting dates between the date of Qualifying Termination and February 28 of the following calendar year shall remain in effect until February 28 of the following year, based on the performance of transition services in accordance with Section 12, and will vest in the amounts set forth therein on the stated vesting dates (or if later, the Release of Claims Effective Date) that occur through February 28 of the following calendar year, and all other RSUs issued to Executive pursuant to the Plan shall terminate as of the date of such Qualifying Termination. If the Qualifying Termination occurs between January 1 - February 28, all Executive's RSUs issued pursuant to the Plan that have future vesting dates between the date of Qualifying Termination and February 28 of the calendar year in which the Qualifying Termination occurs, shall remain in effect until the later of February 28 of such calendar year or the Release of Claims Effective Date, based on the performance of transition services in accordance with Section 12, and will vest in the amounts set forth therein on the stated vesting dates (or if later, the Release of Claims Effective Date) that occur through February 28 of such calendar year, and all other RSUs issued to Executive pursuant to the Plan shall terminate as of the date of such Qualifying Termination. In addition, in the event that a Qualifying Termination occurs between January 1, 2014 - February 28, 2014, Executive's RSUs scheduled to vest on April 18, 2014 shall, based on the performance of transition services in accordance with Section 12, remain in

effect until the later of April 18, 2014 and the Release of Claims Effective Date, and will vest on April 18, 2014 (or, if later, the Release of Claims Effective Date). All RSUs that vest pursuant to this subsection (iv) shall settle in accordance with the terms of such RSUs. All RSUs that are extended pursuant to this subsection (iv) shall terminate upon the last vesting date provided for in this subsection (iv). For the avoidance of doubt, no RSUs shall vest on a date later than the date of the Qualifying Termination unless Executive has executed the Release of Claims within sixty (60) days following the Qualifying Termination and not revoked the same.

Notwithstanding the foregoing, if Executive obtains other employment or is otherwise compensated for services during the period in which he is receiving Salary Continuation Payments ("Severance Period"), Employer's obligation to make future payments to Executive under subparagraph (ii) above shall be offset against any compensation earned by Executive as a result of employment with or services provided to a third party. Executive agrees to inform Employer promptly of his employment status and any amounts so earned during the Severance Period. Executive acknowledges and agrees that the payments described in paragraph 5(b) above constitute good and valuable consideration for such Release of Claims.

6. Change in Control. Reference is made to the change in control letter issued by Employer to certain executives of Employer, as the same may be revised from time to time (the "CIC Letter"). In the event that Executive experiences a Qualifying Termination within the one-year period following a Change in Control (as defined in the CIC Letter), the terms of the CIC Letter, as it may be amended from time to time, shall control and supersede the terms of this Agreement with respect to any benefits or payments which would otherwise be due hereunder.

7. Confidential Information and Return of Property. "Confidential Information" means any written, oral, or other information obtained by Executive in confidence from Employer, or any of its affiliates, including without limitation information about their respective operations, financial condition, business commitments or business strategy, as a result of Executive's employment with Employer unless such information is already publicly known through no fault of any person bound by a duty of confidentiality to Employer or any of its affiliates. Executive will not at any time, during or after Executive's employment with Employer, directly or indirectly disclose Confidential Information to any person or entity other than authorized officers, directors and employees of Employer. Executive will not at any time, during or after Executive's employment with Employer, in any manner use Confidential Information on behalf of himself or any other person or entity other than Employer, or accept any position in which Executive would have a duty to any person to use Confidential Information against the interests of Employer or any of its affiliates. Upon termination of Executive's employment for any reason, Executive will promptly return to Employer all property of Employer, including documents and computer files, especially where such property contains or reflects Confidential Information. Nothing in this Agreement shall be interpreted or shall operate to diminish such duties or obligations of Executive to Employer that arise or continue in effect after the termination of Executive's employment hereunder, including without limitation any such duties or obligations to maintain confidentiality or refrain from adverse use of any of Employer's trade

secrets or other Confidential Information that Executive may have acquired in the course of Executive's employment.

8. Disclosure and Ownership of Work Related Intellectual Property. Executive shall disclose fully to Employer any and all intellectual property (including, without limitation, inventions, processes, improvements to inventions and processes, and enhancements to inventions and processes, whether or not patentable, formulae, data and computer programs, related documentation and all other forms of copyrightable subject matter) that Executive conceives, develops or makes during the term of Executive's employment, whether or not within the original Term of this Agreement, and that in whole or in part result from or relate to Executive's work for Employer (collectively, "Work Related Intellectual Property"). Any such disclosure shall be made promptly after each item of Work Related Intellectual Property is conceived, developed or made by Executive, whichever is sooner. Executive acknowledges that all Work Related Intellectual Property that is copyrightable subject matter and which qualifies as "work made for hire" shall be automatically owned by Employer. Further, Executive hereby assigns to Employer any and all rights which Executive has or may have in Work Related Intellectual Property that is copyrightable subject matter and that, for any reason, does not qualify as "work made for hire." If any Work Related Intellectual Property embodies or reflects any preexisting rights of Executive, Executive hereby grants to Employer the irrevocable, perpetual, nonexclusive, worldwide, and royalty-free license to use, reproduce, display, perform, distribute copies of and prepare derivative works based upon such preexisting rights and to authorize others to do any or all of the foregoing.

9. Restrictive Covenants. Executive covenants as follows, except in the event of a Qualifying Termination within one year following a Change in Control (in which instance, Executive agrees to be bound by the terms of the CIC Letter):

a. Noncompetition. In consideration of this Agreement, and other good and valuable consideration provided hereunder, the receipt and sufficiency of which are hereby acknowledged by Executive, Executive hereby agrees and covenants that during the Term and for a period of twelve (12) months thereafter (together, the "Restricted Period"), Executive shall not, without the prior written consent of Employer, directly or indirectly, engage in or become associated with a Competitive Activity. "Competitive Activity" means any business or other endeavor, in any state of the United States, involving products or services that are the same or similar to the type of products or services that the Employer is engaged in providing both (x) as of the date hereof or at any time during the Term and (y) at any time during the twelve (12) month period preceding Executive's termination of employment. Executive shall be considered to have become "associated with a Competitive Activity" if Executive becomes directly or indirectly involved as an owner, principal, employee, officer, director, independent contractor, representative, stockholder, financial backer, agent, partner, member, advisor, lender, or in any other individual or representative capacity with any individual, partnership, corporation or other organization that is engaged in a Competitive Activity.

b. Notwithstanding the foregoing, Executive may make and retain investments during the Restricted Period, in less than one percent (1%) of the outstanding capital stock of any publicly traded corporation engaged in a Competitive Activity if the stock of such corporation is either listed

on a national stock exchange or on the NASDAQ Stock Market if Executive is not otherwise affiliated with such corporation.

c. Non-solicitation of Employees. Executive recognizes that he will possess Confidential Information about other employees, consultants and contractors of Employer and its subsidiaries or affiliates relating to their education, experience, skills, abilities, compensation and benefits and interpersonal relationships with suppliers to and customers of Employer and its subsidiaries or affiliates. Executive recognizes that the information he will possess about these other employees, consultants and contractors is not generally known, is of substantial value to Employer and its subsidiaries or affiliates in developing their respective businesses and in securing and retaining customers, and will be acquired by Executive because of Executive's position with Employer. Executive agrees that during the Restricted Period (i) Executive will not, directly or indirectly, solicit or recruit any person then employed by the Employer and/or any of its subsidiaries and/or affiliates with whom Executive has had direct contact during his employment, in all cases for the purpose of being employed by Executive or by any business, individual, partnership, firm, corporation or the entity on whose behalf Executive is acting as an agent, representative or employee; and (ii) Executive will not convey any such Confidential Information or trade secrets about employees of the Employer or any of its subsidiaries or affiliates to any other person except within the scope of Executives duties hereunder. Notwithstanding the foregoing, upon a termination of Executive's employment by Employer for any reason other than for Cause, the restrictions set forth immediately above shall apply for a period of twelve (12) months following such termination in the case of employees with whom Executive had a direct working relationship prior to his employment with Employer, its subsidiaries, and/or affiliates.

d. Non-Solicitation of Customers. During the Restricted Period, Executive shall not solicit any Customers of Employer or encourage (regardless of who initiates the contact) any such Customers to use the facilities or services of any competitor of Employer. For the purposes of this Agreement, "Customers" means any persons or entities that purchased products or services from Employer within twelve (12) calendar months of the termination of Executive's employment.

e. Executive acknowledges that the restrictions, prohibitions and other provisions herein, including, without limitation, the Restricted Period, are reasonable, fair and equitable in terms of duration and scope, are necessary to protect the legitimate business interests of Employer, and are a material inducement to Employer to enter into this Agreement.

10. Remedies for Breach. Executive acknowledges and agrees that a breach of any of the covenants made by Executive in Sections 7, 8 and 9 above would cause irreparable harm to Employer or any of its affiliates for which there would be no adequate remedy at law. Accordingly, the parties agree that in the event of any breach or attempted breach by Executive of any of the provisions of Sections 7, 8 and/or 9, Employer shall be entitled to institute and prosecute proceedings at law or in equity with respect to such breach, and, if successful, to recover such costs, expenses, and reasonable attorney's fees as may be incurred in connection with such proceedings. The parties further agree that, to the extent Employer institutes and prosecutes proceedings at law or in equity against Executive for an alleged breach, and such action is unsuccessful, Executive is entitled to recover such costs, expenses, and reasonable attorneys' fees as may be incurred in connection with

such proceedings. If Executive breaches Section 8 above, the duration of the period identified shall be computed from the date Executive resumes compliance with the covenant or from the date Employer is granted injunctive or other equitable relief by a court of competent jurisdiction enforcing the covenant, whichever shall first occur, reduced by the number of days Executive was not in breach of the covenant after termination of employment, or any delay in filing suit, whichever is greater.

11. Survival of Obligations. Executive's obligations under Sections 7, 8 and 9 of this Agreement shall survive the termination of Executive's employment and this Agreement, regardless of the reason for or method of termination. Each of the provisions in these Sections shall be enforceable independently of every other provision, and the existence of any claim or cause of action Executive may have against Employer, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of these Sections of the Agreement by Employer.

12. Actions After Termination. Executive agrees that for one year following Executive's termination from Employer, regardless of the reason for the termination, Executive will continue to make himself available for reasonable consultation with Employer and Employer's agents and employees regarding Executive's prior work for Employer. In no event shall such services in a given month exceed 20% of the average monthly level of services performed by Executive over the 36-month period immediately preceding the date on which Executive's employment terminated. In addition, Executive shall make himself reasonably available for interviews by Employer's counsel, depositions, and/or appearances before courts or administrative agencies upon Employer's reasonable request. Executive agrees that if Executive is contacted by any government agency with reference to Employer's business, or by any person contemplating or maintaining any claim or legal action against Employer, or by any agent or attorney of such person, Executive will, to the extent permitted by law, promptly notify Employer of the substance of Executive's communications with such person. Employer agrees to reimburse any reasonable expenses (and, after any Severance Period, reasonable compensation for lost income) incurred by Executive in connection with this Section 12, provided that such expenses shall have been preapproved in writing by Employer.

13. Section 280G Limitation. Notwithstanding anything in this Agreement to the contrary, in the event that any payment or benefit received or to be received by Executive (all such payments and benefits being hereinafter referred to as the "Total Payments") would not be deductible (in whole or part) by the Employer or any affiliates making such payment or providing such benefit as a result of Section 280G of the U.S. Internal Revenue Code of 1986, as amended (the "Code") then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments required by any similar reduction or elimination provision contained in such other plan, arrangement or agreement), the portion of the Total Payments that does not constitute "nonqualified deferred compensation" under Section 409A of the Code shall first be reduced (if necessary, to zero), and all other Total Payments shall thereafter be reduced (if necessary, to zero) with, in each case, cash payments being reduced before non-cash payments (and, within each category, payments to be paid last being reduced first); provided, however, that such reduction shall only be made if the amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to the amount of such Total Payments without such reduction (but after

subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of the excise tax imposed under Section 4999 of the Code on such unreduced Total Payments). Any determination required to be made under this paragraph shall be made by independent tax counsel reasonably acceptable to both Executive and the Employer, and shall be paid for by the Employer ("Tax Counsel").

It is possible that, after the determinations and selections made pursuant to the foregoing paragraph, Executive will receive payments and/or benefits that are, in the aggregate, either more or less than the amount determined under such paragraph (hereafter referred to as an "Excess Payment" or "Underpayment", as applicable). If Tax Counsel determines that an Excess Payment has been made, then Executive shall promptly repay the Excess Payment to Employer, together with interest on the Excess Payment at the applicable federal rate (as defined in section 1274(d) of the Code) from the date of Executive's receipt of such Excess Payment until the date of such repayment. If Tax Counsel determines that an Underpayment has occurred, Employer shall promptly (but in any event within ten (10) days of such determination) pay to Executive an amount equal to the Underpayment, together with interest on such amount at the applicable federal rate from the date such amount would have been paid to Executive had the provisions of the foregoing paragraph not been applied until the date of payment.

14. Section 409A. The parties intend that any amounts payable hereunder shall comply with or be exempt from Section 409A of the Code ("Section 409A") (including under Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exceptions under subparagraph (iii) and subparagraph (v)(D)) and other applicable provisions of Treasury Regulation §§ 1.409A-1 through A-6). For purposes of Section 409A, each of the payments that may be made under this Agreement shall be deemed to be a separate payment. Executive and Employer agree to negotiate in good faith to make amendments to the Agreement, as the parties mutually agree are necessary or desirable to avoid the imposition of taxes, penalties or interest under Section 409A. Neither Executive nor Employer shall have the right to accelerate or defer the delivery of any such payments or benefits except (i) where payment may be made within a certain period of time, the timing of payment within such period will be in the sole discretion of Employer, and (ii) to the extent specifically permitted or required by Section 409A. With respect to the time of payments of any amounts under the Agreement that are "deferred compensation" subject to Section 409A, references in the Agreement to "termination of employment" (and substantially similar phrases) shall mean "separation from service" within the meaning of Section 409A. Notwithstanding anything in this Agreement to the contrary, if Executive is considered a "specified employee" under Section 409A upon his separation from service and if payment of any amounts on account of Executive's separation from service under this Agreement is required to be delayed for a period of six months after separation from service in order to avoid taxation under Section 409A, payment of such amounts shall be delayed as required by Section 409A, and the accumulated amounts shall be paid in a lump sum payment within five business days after the end of the six-month delay period. If Executive dies during the six-month delay period prior to the payment of benefits, the amounts withheld on account of Section 409A shall be paid to the personal representative of Executive's estate within 60 days after the date of Executive's death. For the avoidance of doubt, it is intended that any expense reimbursement made to Executive hereunder shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made hereunder shall be determined

to be "deferred compensation" within the meaning of Section 409A, then (i) the amount of the expense reimbursement during one taxable year shall not affect the amount of the expense reimbursement during any other taxable year, (ii) the expense reimbursement shall be made on or before the last day of Executive's taxable year following the year in which the expense was incurred and (iii) the right to expense reimbursement hereunder shall not be subject to liquidation or exchange for another benefit. While it is intended that all payments and benefits provided to Executive under this Agreement will be exempt from or comply with Section 409A, Employer makes no representation or covenant to ensure that such payments and benefits are exempt from or compliant with Section 409A. Employer will have no liability to Executive or any other party if a payment or benefit under this Agreement or otherwise is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. Executive further understands and agrees that Executive will be entirely responsible for any and all taxes imposed on Executive as a result of this Agreement.

15. Assignment. Employer may assign this Agreement to any other entity acquiring all or substantially all of the assets or stock of Employer or to any other entity into which or with which Employer may be merged or consolidated. Upon such assignment, merger, or consolidation, the rights of Employer under this Agreement, as well as the obligations and liabilities of Employer hereunder, shall inure to the benefit of and be binding upon the assignee, successor-in-interest, or transferee of Employer and Employer shall have no further obligations or liabilities hereunder. This Agreement is not assignable in any respect by Executive.

16. Notices. All notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or by hand deliver, or by overnight delivery by a national recognized carrier, in each case to the applicable address set forth below, and any such notice is deemed effectively given which received by recipient (or if receipt is refused by recipient, when so refused):

If to Employer: Tree.com, Inc.
11115 Rushmore Dr.
Charlotte, NC 28277
Attn: General Counsel

If to Executive: At the most recent address for Executive on file with Employer.

Either party may change such party's address for notices by notice duly given pursuant hereto.

17. Invalid Provisions. It is not the intention of either Party to violate any public policy, or any statutory or common law. If any sentence, paragraph, clause or combination of the same in this Agreement is in violation of the law of any State where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of the Agreement shall remain binding on the Parties. However, the Parties agree, and it is their desire that a court should substitute for each such illegal, invalid or unenforceable covenant a

reasonable and judicially-enforceable limitation in its place, and that as so modified the covenant shall be as fully enforceable as if set forth herein by the Parties themselves in the modified form.

18. Entire Agreement; Amendments. This Agreement contains the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, , relating to the subject matter hereof, including, but not limited to (i) that certain Letter Agreement dated as of September 9, 2012 by and between Employer and Executive and (ii) that certain Letter Agreement dated April 11, 2011 by and between Executive and Employer. This Agreement may be amended in whole or in part only by an instrument in writing setting forth the particulars of such amendment and duly executed by both Parties.

19. Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together shall constitute one and the same instrument.

20. Governing Law; Jurisdiction. The validity, construction, interpretation and enforceability of this Agreement and the capacity of the parties shall be determined and governed by the laws of the State of North Carolina, without regard to the conflict of law rules contained therein. Any litigation under this Agreement shall be brought by either Party exclusively in Mecklenburg County, North Carolina. As such, the Parties irrevocably consent to the jurisdiction of the courts in Mecklenburg County, North Carolina (whether federal or state) for all disputes related to this Agreement and irrevocably consent to service via nationally recognized overnight carrier, without limiting other service methods allowed by applicable law. In addition, the Parties irrevocably waive any right to a trial by jury in any action related to this Agreement.

21. Taxes. All payments made under this Agreement shall be subject to Employer's withholding of all required foreign, federal, state and local income and employment/payroll taxes, and all payments shall be net of such tax withholding.

22. Recoupment. Notwithstanding anything to the contrary in this Agreement, any payments made or granted pursuant to this Agreement shall be subject to any recoupment or clawback policy that may be adopted by the Company from time to time and to any requirement of applicable law, regulation or listing standard that requires the company to recoup or clawback compensation paid.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

Employer

By: /s/ E. Claudette Hampton

E. Claudette Hampton
Senior Vice President - Human Resources &
Administration
Tree.com

Executive

By: /s/ Gabriel Dalporto

Gabriel Dalporto

**Notice of Restricted Stock Unit Award Granted Under the
Tree.com, Inc. 2008 Stock and Annual Incentive Plan**

Important Note: You must login to your account to obtain other important information concerning this Award, such as a copy of the Tree.com 2008 Stock and Annual Incentive Plan as the same has been amended and restated from time to time up to the date of this Award (the "2008 Plan") and the Terms and Conditions for Restricted Stock Unit Awards (the "Terms and Conditions"). Additional copies of these documents are also available on the MyEquity page of the Company intranet or upon request from your Human Resources Department. You acknowledge that you have received copies of the Plan and the Plan's prospectus.

Award Recipient:

Restricted Stock Unit Award: Restricted stock units ("RSUs") granted under the 2008 Plan.

Unit Award:

Award Date:

Vesting Schedule: Subject to your continuous employment with Tree.com or its Subsidiaries or Affiliates, your RSUs shall, subject to the provisions of the 2008 Plan and the Terms and Conditions, vest and no longer be subject to any restriction as of the vesting dates and the achievement of any applicable performance goals, as set forth below:

Impact of a Termination of Employment: Except as otherwise provided in the 2008 Plan or in the Terms and Conditions, or any Individual Agreement, all of your unvested RSUs will be forfeited and canceled without consideration in their entirety upon a Termination of Employment.

Terms and Conditions: Capitalized terms used (but not defined) in this Award Notice shall have the meanings set forth in the 2008 Plan.

Your RSUs are subject to the Terms and Conditions and to the 2008 Plan. We strongly encourage you to review the Terms and Conditions and the 2008 Plan. These documents will help provide you with a full understanding of your RSU award.

Terms and Conditions for Restricted Stock Unit Award

Overview

These Terms and Conditions apply to the restricted stock units (the "Award") awarded to you by Tree.com, Inc. ("Tree.com" or the "Company") pursuant to Section 7 of the Tree.com 2008 Stock and Annual Incentive Plan as the same has been amended and restated from time to time up to the date of this Award (the "2008 Plan"). You were notified of your Award by way of an award notice (the "Award Notice"). All capitalized terms used herein, to the extent not defined, shall have the meaning as set forth in the 2008 Plan.

Continuous Service

In order for RSUs to vest, you must be continuously employed by Tree.com or any of its Subsidiaries or Affiliates during the Restriction Period (as defined below) or as otherwise provided in the Vesting section below. Nothing in your Award Notice, these Terms and Conditions, or the 2008 Plan shall confer upon you any right to continue in the employ or service of Tree.com or any of its Subsidiaries or Affiliates or interfere in any way with their rights to terminate your employment or service at any time and for any or no reason.

Vesting

Subject to the Award Notice, these Terms and Conditions and the 2008 Plan, the RSUs in respect to your Award, shall vest and no longer be subject to satisfaction of any restriction on the dates and subject to any applicable performance conditions (such period during which restrictions apply is the "Restriction Period") as follows:

The vesting of your Award is conditioned upon your continuous employment with Tree.com or its Subsidiaries or Affiliates through each respective vesting date.

Notwithstanding the foregoing, 100% of your then-outstanding and unvested portion of your Award shall vest upon the occurrence of a Change in Control which occurs during your employment with Tree. Com (or any Subsidiary or Affiliate). The term "Change in Control" is defined in the 2008 Plan, and includes certain events affecting Tree.com (not events only affecting specific businesses of Tree.com).

Notwithstanding the foregoing, in the event you experience a Termination of Employment due to your death or Disability, then 100% of your then-outstanding and unvested portion of your Award shall vest upon such Termination of Employment.

[Include any other specific vesting events approved by the Compensation Committee.]

Termination of Employment

Upon the Termination of your Employment with Tree.com or any of its Subsidiaries or Affiliates during the Restriction Period for any reason, any unvested portion of this RSU Award shall be forfeited and canceled in its entirety without consideration effective immediately upon such Termination of Employment.

For the avoidance of doubt, transfers of employment among the Company and its Subsidiaries and Affiliates, without any break in service, is not a Termination of Employment.

Settlement

Subject to your satisfaction of the tax obligations described immediately below under "Taxes and Withholding," as soon as practicable after any RSUs in respect of your Award have vested and are no longer subject to the Restriction Period (but in no event later than two and one-half months after the end of the fiscal year in which the RSUs vest), such RSUs shall be settled. For each RSU settled, Tree.com shall issue one Share (or cash equivalent) for each RSU that has vested. Notwithstanding the foregoing, Tree.com shall be entitled to hold the Shares or cash issuable to you upon settlement of all RSUs that have vested until Tree.com or the agent selected by Tree.com to administer the 2008 Plan (the "Agent") has received from you (i) a duly executed Form W-9 or W-8 and (ii) payment for any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such RSUs.

Taxes and Withholding

No later than the date as of which an amount in respect of any RSUs first becomes includable in your gross income for federal, state, local or foreign income or employment or other tax purposes, Tree.com or its Subsidiaries and/or Affiliates shall, unless prohibited by law, have the right to deduct any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount due to you, including deducting such amount from the delivery of Shares or cash issued upon settlement of the RSUs that gives rise to the withholding requirement. In the event Shares are deducted to cover tax withholdings, the number of Shares withheld shall generally have a Fair Market Value equal to the aggregate amount of Tree.com's withholding obligation on the date of settlement. If the event that any such deduction and/or withholding is prohibited by law, you shall, prior to or contemporaneously with the settlement of your RSUs, be required to pay to Tree.com, or make arrangements satisfactory to Tree.com regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount.

Non-Transferability of the RSUs

Until such time as your RSUs are ultimately settled, they shall not be transferable by you by means of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise.

No Rights as a Stockholder

Except as otherwise specifically provided in the 2008 Plan, unless and until your RSUs are settled with Shares, you shall not be entitled to any rights of a stockholder with respect to the RSUs (including the right to vote the underlying Shares or receive dividends). Notwithstanding the foregoing, if Tree.com declares and pays dividends on the Common Stock during the Restriction Period for particular RSUs in respect of your Award, you will be credited with additional amounts for each RSU underlying such Award equal to the dividend that would have been paid with respect to such RSU as if it had been an actual share of Common Stock, which amount shall remain subject to restrictions (and as determined by the Committee may be

reinvested in RSUs or may be held in kind as restricted property) and shall vest concurrently with the vesting of the RSUs upon which such dividend equivalent amounts were paid (and shall be settled at the same time as the underlying RSUs and also subject to satisfaction of tax withholding).

Other Restrictions

The RSUs shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body is necessary or desirable as a condition of, or in connection with, the delivery of shares, then in any such event, the award of RSUs shall not be effective unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

Conflicts and Interpretation

In the event of any conflict between these Terms and Conditions and the 2008 Plan, the 2008 Plan shall control; provided, that an action or provision that is permissive under the terms of the 2008 Plan, and required under these Terms and Conditions, shall not be deemed a conflict and these Terms and Conditions shall control. In the event of any ambiguity in these Terms and Conditions, or any matters as to which these Terms and Conditions are silent, the 2008 Plan shall govern. In the event of (i) any conflict between the Award Notice (or any information posted on Tree.com's intranet or given to you directly or indirectly through the Agent (including information posted on <https://www.benefitaccess.com>) and Tree.com's books and records, or (ii) ambiguity in the Award Notice (or any information posted on Tree.com's intranet or given to you directly or indirectly through the Agent (including information posted on <https://www.benefitaccess.com>), Tree.com's books and records shall control.

Amendment

Tree.com may modify, amend or waive the terms of your RSUs, prospectively or retroactively, but no such modification, amendment or waiver shall materially impair your rights without your consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules.

Data Protection

The acceptance of your RSUs constitutes your authorization of the release from time to time to Tree.com or any of its Subsidiaries or Affiliates and to the Agent (together, the "Relevant Companies") of any and all personal or professional data that is necessary or desirable for the administration of your RSUs and/or the 2008 Plan (the "Relevant Information"). Without limiting the above, this authorization permits your employing company to collect, process, register and transfer to the Relevant Companies all Relevant Information (including any professional and personal data that may be useful or necessary for the purposes of the administration of your RSUs and/or the 2008 Plan and/or to implement or structure any further grants of equity awards (if any)). The acceptance of your RSUs also constitutes your authorization of the transfer of the Relevant Information to any jurisdiction in which Tree.com, your employing company or the Agent considers appropriate. You shall have access to, and the right to change, the Relevant Information, which will only be used in accordance with applicable law.

Sections 409A, 280G and 4999 of the Code

Your Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and related rules and regulations ("Section 409A"). In no event shall Tree.com be required to pay you any "gross-up" or other payment with respect to any taxes or penalties imposed under Section 409A (or Code Section 280G or 4999) with respect to any amounts or benefits paid to you in respect of your Award.

Notification of Changes

Any changes to these Terms and Conditions shall either be posted on Tree.com's intranet or communicated (either directly by Tree.com or indirectly through any of its Subsidiaries, Affiliates or the Agent) to you electronically via e-mail (or otherwise in writing) after such change becomes effective.

RESTRICTED STOCK AWARD AGREEMENT

Important Note: You must login to your account to obtain other important information concerning this Award, such as a copy of the Tree.com 2008 Stock and Annual Incentive Plan as the same has been amended and restated from time to time up to the date of this Award and the Terms and Conditions for Restricted Stock Awards. Additional copies of these documents are also available on the MyEquity page of the Company intranet or upon request from your Human Resources Department.

This Restricted Stock Award Agreement (the "Agreement") is made between Tree.com, Inc., a Delaware corporation ("Tree.com"), and [NAME]. The Grant Date for the Restricted Shares awarded under this Agreement is [DATE].

Tree.com sponsors the Tree.com 2008 Stock and Annual Incentive Plan as the same has been amended and restated from time to time up to the date of this Award (the "2008 Plan"). This Agreement represents an award of Shares of Restricted Stock under the 2008 Plan. All capitalized terms used herein, to the extent not defined, shall have the same meaning as set forth in the 2008 Plan.

The Shares of Restricted Stock covered by this Agreement are being awarded subject to the following terms and provisions:

1. Subject to the terms and conditions of the 2008 Plan and this Agreement, Tree.com awards to you [NUMBER] Shares of Restricted Stock (the "Restricted Shares").
2. In order for all or any portion of the Restricted Shares to vest, you must be continuously employed by Tree.com (or any of its Subsidiaries or Affiliates) to the vesting date on which the applicable performance conditions are met, as described in Section 3. The actual number of Restricted Shares that vest will be determined based on the extent to which the performance conditions described in Section 3 are met. Nothing in this Agreement or the 2008 Plan shall confer upon you any right to continue in the employ or service of Tree.com (or any of its Subsidiaries or Affiliates) or interfere in any way with their rights to terminate your employment or service at any time, [subject to the terms of [EMPLOYMENT AGREEMENT]].
3. You will earn and become vested in the Restricted Shares in accordance with the conditions of this Section 3. Until they become vested, the Restricted Shares shall be subject to cancellation and forfeiture in accordance with Section 5 below. Until vested, you may not sell, transfer, pledge, assign or otherwise alienate or hypothecate the Restricted Shares (such period during which restrictions apply is the "Restriction Period"). Subject to the Performance Goals set forth below, the Restricted Shares shall vest as follows:
 - (a) If Tree.com's EBITDA is \$[XXX] or more for the [YEAR] fiscal year, [XXX] Restricted Shares will become vested on [DATE] if you have been in continuous employment or service with Tree.com (or any of its Subsidiaries or Affiliates) to that date.
 - (b) If Tree.com's EBITDA is \$[XXX] or more for the [YEAR] fiscal year, [XXX] Restricted Shares will become vested on [DATE] if you have been in continuous employment or service with Tree.com (or any of its Subsidiaries or Affiliates) to that date.
 - (c) If Tree.com's EBITDA is \$[XXX] or more for the [YEAR] fiscal year, [XXX] Restricted Shares will become vested on [DATE] if you have been in continuous employment or service with Tree.com (or any of its Subsidiaries or Affiliates) to that date.
 - (d) If Tree.com's EBITDA is less than \$[XXX] for either the [YEAR] or the [YEAR] fiscal year, but Tree.com's cumulative EBITDA is \$[XXX] or more that fiscal year and the immediately following fiscal year (the "Second Fiscal Year"), [XXX] Restricted Shares will become vested on the [MONTH, DAY] immediately following the Second Fiscal Year if you have been in continuous employment or service with Tree.com (or any of its Subsidiaries or Affiliates) to that date.
 - (e) If Tree.com's EBITDA did not equal or exceed \$[XXX] for either the [YEAR] or the [YEAR] fiscal year, but its cumulative EBITDA for the [YEAR] through [YEAR] fiscal year period was \$[XXX] or more, all [NUMBER] Restricted Shares will become vested on [DATE] if you have been in continuous employment or service with Tree.com (or any of its Subsidiaries or Affiliates) to that date.

Notwithstanding the foregoing, in the event of a Change in Control while you are still employed by Tree.com (or any of its Subsidiaries or Affiliates), [XXX]% of the then-outstanding unvested Restricted Shares subject to this Award shall vest upon the occurrence of such Change in Control.

Notwithstanding the foregoing, in the event you experience a Termination of Employment due to your death or Disability, then all of the then-outstanding unvested Restricted Shares subject to this Award shall vest upon such Termination of Employment.

Any cash dividends declared on the Shares shall be held subject to the vesting of the underlying Restricted Shares in accordance with this Section (and shall be paid only if and when such vesting conditions are satisfied), and subject to any adjustment pursuant to Section 3(d) of the 2008 Plan, dividends payable in Shares shall be paid in the form of Restricted Shares and shall be similarly held subject to the vesting of the underlying Restricted Shares in accordance with this Section.

4. You agree that you shall comply with (or provide adequate assurance as to future compliance with) all applicable securities laws and income tax laws as determined by Tree.com with respect to your receipt of the Restricted Shares. In addition, you agree that, upon request, you will furnish a letter agreement providing that (a) you will not distribute or resell any of said shares in violation of the Securities Act of 1933, as amended, (b) you will indemnify and hold Tree.com harmless against all liability for any such violation and (c) you will accept all liability for any such violation. You expressly acknowledge and agree to be bound by Section 14(o) of the 2008 Plan, which contains provisions addressing the Company's policy on recoupment of equity or other compensation.

You represent and warrant that you understand the federal, state and local income tax consequences of the granting of Restricted Shares. Under Section 83 of the Code, the Fair Market Value of the Restricted Shares on the date any forfeiture restrictions applicable to such Restricted Shares lapse will be reportable as ordinary income at that time. You may voluntarily elect to be taxed at the time the Restricted Shares are acquired to the extent that the Fair Market Value of the Restricted Shares exceeds the amount of consideration paid by you (if any) for such Restricted Shares at that time rather than when such Restricted Shares cease to be subject to such forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Grant Date. YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT TREE.COM'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(b), EVEN IF YOU REQUEST TREE.COM OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. MOREOVER, YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE A CODE SECTION 83(b) ELECTION.

5. You acknowledge and agree that upon your ceasing to be employed by Tree.com or any of its Subsidiaries or Affiliates during the Restriction Period all then outstanding unvested Restricted Shares subject to this Award will be canceled and forfeited without consideration and returned to Tree.com upon your Termination of Employment. For the avoidance of doubt, transfers of employment among Tree.com and its Subsidiaries and Affiliates, without any break in service, is not a Termination of Employment. In order to facilitate the transfer to Tree.com of any Shares pursuant to the terms hereof and as a condition of this Award, you shall timely execute the enclosed stock power (Assignment Separate from Certificate). The stock power may be used by Tree.com to transfer any unvested Shares to Tree.com in accordance with this Section. You further hereby irrevocably appoint (which appointment is coupled with an interest) Tree.com as your agent and attorney-in-fact to take any necessary or appropriate action to cause Shares to be returned to Tree.com in accordance with this Section, including without limitation executing and delivering stock powers and instruments of transfer, making endorsements and/or making, initiating or issuing instructions or entitlement orders, all in your name and on your behalf. Without limiting the foregoing, you expressly acknowledge and agree that any transfer agent for the Shares is fully authorized and protected in relying on, and shall incur no liability in acting on, any documents, instruments, endorsements, instructions, orders or communications from Tree.com in connection with the Shares or the transfer thereof, and that any such transfer agent is a third party beneficiary of this Agreement.
6. In the event of any conflict between this Agreement and the 2008 Plan, the 2008 Plan shall control; provided, that an action or provision that is permissive under the terms of the 2008 Plan, and required under this Agreement, shall not be deemed a conflict and this Agreement shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement are silent, the 2008 Plan shall govern.
7. Tree.com may modify, amend or waive the terms of your Restricted Shares, prospectively or retroactively, but no such modification, amendment or waiver shall materially impair your rights without your consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules.

8. Your acceptance of the Restricted Shares constitutes your authorization of the release from time to time to Tree.com or any of its Subsidiaries or Affiliates and to the Agent (together, the "Relevant Companies") of any and all personal or professional data that is necessary or desirable for the administration of your Restricted Shares and/or the 2008 Plan (the "Relevant Information"). Without limiting the above, this authorization permits your employing company to collect, process, register and transfer to the Relevant Companies all Relevant Information (including any professional and personal data that may be useful or necessary for the purposes of the administration of the Restricted Shares and/or the 2008 Plan and/or to implement or structure any further grants of equity awards (if any)). The acceptance of the Restricted Shares also constitutes your authorization of the transfer of the Relevant Information to any jurisdiction in which Tree.com, your employing company or the Agent considers appropriate. You shall have access to, and the right to change, the Relevant Information, which will only be used in accordance with applicable law.
9. Your Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the rules and regulations issued thereunder ("Section 409A"). In no event shall Tree.com be required to pay you any "gross-up" or other payment with respect to any taxes or penalties imposed under Section 409A or Code Sections 280G or 4999 with respect to any amounts or benefits paid to you in respect of your Award.
10. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. This Agreement and the 2008 Plan, constitutes the final understanding between you and Tree.com regarding the Restricted Shares. Any prior agreements, commitments or negotiations concerning the Restricted Shares are superseded.
11. Any certificate(s) for the Restricted Shares may, in the discretion of Tree.com, be deposited in escrow with the Secretary of Tree.com (or his/her designee) to be held until vesting. No stock certificates evidencing Shares free from a restrictive legend shall be delivered to you until you have paid to Tree.com the amount that must be withheld with respect to those Shares under federal, state and local income and employment tax laws (the "Applicable Withholding Taxes") or you and Tree.com have made arrangements that are agreed to in writing by Tree.com for the payment of such taxes. Unless you inform Tree.com in writing before the applicable date of vesting that you will timely pay the Applicable Withholding Taxes amount then due with cash, Tree.com shall automatically retain that number of Shares (valued at their Fair Market Value as of the applicable date of vesting of the Restricted Shares) that would satisfy the Applicable Withholding Taxes.

IN WITNESS WHEREOF, Tree.com has caused this Agreement to be executed by its duly authorized officer, and you have hereunto set your hand, all effective as of the Grant Date listed above. By signing below, you are also acknowledging receipt of copies of the 2008 Plan and the 2008 Plan's prospectus.

TREE.COM, INC.

By: _____

Title: _____

[NAME]

ASSIGNMENT SEPARATE FROM CERTIFICATE
(Stock Power)

FOR VALUE RECEIVED, the undersigned does hereby assign and transfer unto

Name:

Address:

Social Security or
Taxpayer Identification Number:

shares of the Stock of

represented by Certificate No(s).

herewith, standing in the name of the undersigned, and does hereby appoint

attorney, with full power of substitution, to transfer said shares on the books of said corporation.

Signature:

Date:

[NAME]

**Notice of [YEAR] Stock Option Award Granted Under the
Tree.com, Inc. 2008 Stock and Annual Incentive Plan**

Important Note: You must login to your account to obtain other important information concerning this Award, such as a copy of the Tree.com 2008 Stock and Annual Incentive Plan as the same has been amended and restated from time to time up to the date of this Award (the "2008 Plan") and the Terms and Conditions for Restricted Stock Unit Awards (the "Terms and Conditions"). Additional copies of these documents are also available on the MyEquity page of the Company intranet or upon request from your Human Resources Department. You acknowledge that you have received copies of the 2008 Plan and the 2008 Plan's prospectus.

Award Recipient:

[YEAR] Stock Option Award: Under the 2008 Plan:

You have been awarded a nonqualified option to acquire xxx Shares of Tree.com common stock at an "Exercise Price" of \$xxx per Share ("Stock Option");

Award Date: _____, 201____

Vesting Schedule: Subject to your continued employment with Tree.com or its Subsidiaries or Affiliates, your Stock Option shall, subject to the provisions of the 2008 Plan, vest and no longer be subject to any vesting restriction *in three equal annual installments (rounded to nearest whole number) on each of the first three anniversaries of your Award Date, beginning [DATE].*

Expiration Date: Once vested, your Stock Option will expire upon the earlier of (i) the expiration of the 12-month period following your Termination of Employment for any reason other than death, Disability or Retirement, (ii) the expiration of the one-year period following your Termination of Employment due to death, Disability or Retirement or (iii) 10 years from your Award Date (the "Expiration Date"), except as otherwise provided in the 2008 Plan or the attached Terms and Conditions.

If you do not exercise your vested Stock Option before the Expiration Date, your unexercised Stock Option will be forfeited and canceled in its entirety.

Impact of a Termination of Employment: Except as otherwise provided in the 2008 Plan, and any employment agreement between you and Tree.com, the unvested portion of this Stock Option will be forfeited without consideration and canceled in its entirety upon your Termination of Employment.

Terms and Conditions: Capitalized terms used (but not defined) in this Award Notice shall have the meanings set forth in the 2008 Plan.

Your Stock Option is subject to the Terms and Conditions attached hereto and to the 2008 Plan, which are posted on www.benefitaccess.com and incorporated herein by reference, and any employment agreement between you and Tree.com. Copies of these documents are also available upon request from your Human Resources Department. In the event of a conflict between the Terms and Conditions and this Notice, this Notice shall control.

Without a complete review of these documents, you will not have a full understanding of all the material terms of your Stock Option.

Terms and Conditions for Stock Option Award

Overview

These Terms and Conditions apply to the stock option (the "Award") awarded to you by Tree.com, Inc. ("Tree.com" or the "Company") pursuant to Section 5 of the Tree.com 2008 Stock and Annual Incentive Plan as the same has been amended and restated from time to time (the "2008 Plan"). You were notified of your Award by way of an award notice (the "Award Notice"). All capitalized terms used herein, to the extent not defined, shall have the meaning as set forth in the 2008 Plan.

Continuous Service

In order for the Award to vest, you must be continuously employed by Tree.com or any of its Subsidiaries or Affiliates during the Restriction Period (as defined below) or as otherwise provided in the Vesting section below. Nothing in your Award Notice, these Terms and Conditions, or the 2008 Plan shall confer upon you any right to continue in the employ or service of Tree.com or any of its Subsidiaries or Affiliates or interfere in any way with their rights to terminate your employment or service at any time and for any or no reason.

Vesting

Subject to the Award Notice, these Terms and Conditions and the 2008 Plan, the Award shall vest and no longer be subject to satisfaction of any restriction on the dates and subject to any applicable performance conditions (such period during which restrictions apply is the "Restriction Period") as set forth in the Vesting Schedule section of the Award Notice.

Notwithstanding the foregoing, 100% of your then-outstanding and unvested portion of your Award shall vest upon the occurrence of a Change in Control which occurs during your employment with Tree. Com (or any Subsidiary or Affiliate). The term "Change in Control" is defined in the 2008 Plan, and includes certain events affecting Tree.com (not events only affecting specific businesses of Tree.com).

Notwithstanding the foregoing, in the event you experience a Termination of Employment due to your death or Disability, then 100% of your then-outstanding and unvested portion of your Award shall vest upon such Termination of Employment.

[Include any other specific vesting events approved by the Compensation Committee.]

Termination of Employment

Upon your Termination of Employment with Tree.com or any of its Subsidiaries or Affiliates during the Restriction Period for any reason, any unvested portion of this Award shall be forfeited and canceled in its entirety without consideration effective immediately upon such Termination of Employment. The then vested portion of this Stock Option may remain exercisable after your Termination Employment to the extent permitted under Plan section 5(i).

For the avoidance of doubt, transfers of employment among the Company and its Subsidiaries and Affiliates, without any break in service, is not a Termination of Employment.

Exercise

When you wish to exercise this Award, you must notify the Company by filing a "Notice of Exercise" in the form prescribed by Tree.com at the address given on the form. Your notice must specify how many Shares you wish to purchase and is subject to the minimum purchase limitation set forth in Plan section 5(g). The notice can only become effective after it is received and approved by the Company. If someone else wants to exercise this Stock Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

When you submit your Notice of Exercise, you must include payment of the aggregate Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of (i) certified or bank check or (ii) to the extent approved by the Committee by any of the methods described in Plan sections 5(g)(i), 5(g)(ii), or 5(g)(iii).

Taxes and Withholding

No later than the date as of which an amount in respect of any part of this Award first becomes includable in your gross income for federal, state, local or foreign income or employment or other tax purposes, Tree.com or its Subsidiaries and/or Affiliates

shall, unless prohibited by law, have the right to deduct any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount due to you, including deducting such amount from the delivery of Shares or cash issued upon settlement of the Award that gives rise to the withholding requirement. In the event Shares are deducted to cover tax withholdings, the number of Shares withheld shall generally have a Fair Market Value equal to the aggregate amount of Tree.com's withholding obligation on the date of exercise of the Stock Option. If the event that any such deduction and/or withholding is prohibited by law, you shall, prior to or contemporaneously with the settlement of your Award, be required to pay to Tree.com, or make arrangements satisfactory to Tree.com regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. To the extent approved by the Committee, you may satisfy the applicable tax withholding amounts as permitted under Plan section 14(d).

Non-Transferability of the Award

Your Award shall not be transferable by you by means of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise except as may be permitted under Plan section 5(j).

No Rights as a Stockholder

Until your Award is exercised and settled with Shares, you shall not be entitled to any rights of a stockholder with respect to the Award (including the right to vote the underlying Shares or receive dividends). Moreover, if Tree.com declares and pays dividends on the Common Stock during the Restriction Period, this Award will not be credited with any dividends.

Other Restrictions

The Award shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the Shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body is necessary or desirable as a condition of, or in connection with, the delivery of Shares, then in any such event, the Award and/or any issuance of Shares under the Award shall not be effective unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

Conflicts and Interpretation

In the event of any conflict between these Terms and Conditions and the 2008 Plan, the 2008 Plan shall control; provided, that an action or provision that is permissive under the terms of the 2008 Plan, and required under these Terms and Conditions, shall not be deemed a conflict and these Terms and Conditions shall control. In the event of any ambiguity in these Terms and Conditions, or any matters as to which these Terms and Conditions are silent, the 2008 Plan shall govern. In the event of (i) any conflict between the Award Notice (or any information posted on Tree.com's intranet or given to you directly or indirectly through the Agent (including information posted on <https://www.benefitaccess.com>) and Tree.com's books and records, or (ii) ambiguity in the Award Notice (or any information posted on Tree.com's intranet or given to you directly or indirectly through the Agent (including information posted on <https://www.benefitaccess.com>), Tree.com's books and records shall control.

Amendment

Tree.com may modify, amend or waive the terms of your Awards, prospectively or retroactively, but no such modification, amendment or waiver shall materially impair your rights without your consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules.

Data Protection

The acceptance of your Award constitutes your authorization of the release from time to time to Tree.com or any of its Subsidiaries or Affiliates and to the Agent (together, the "Relevant Companies") of any and all personal or professional data that is necessary or desirable for the administration of your Award and/or the 2008 Plan (the "Relevant Information"). Without limiting the above, this authorization permits your employing company to collect, process, register and transfer to the Relevant Companies all Relevant Information (including any professional and personal data that may be useful or necessary for the purposes of the administration of your Award and/or the 2008 Plan and/or to implement or structure any further grants of equity awards (if any)). The acceptance of your Award also constitutes your authorization of the transfer of the Relevant Information to any jurisdiction in which Tree.com, your employing company or the Agent considers appropriate. You shall have access to, and the right to change, the Relevant Information, which will only be used in accordance with applicable law.

Sections 409A, 280G and 4999 of the Code

Your Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and related rules and regulations ("Section 409A"). In no event shall Tree.com be required to pay you any "gross-up" or other payment with respect to any taxes or penalties imposed under Section 409A (or Code Section 280G or 4999) with respect to any amounts or benefits paid to you in respect of your Award.

Notification of Changes

Any changes to these Terms and Conditions shall either be posted on Tree.com's intranet or communicated (either directly by Tree.com or indirectly through any of its Subsidiaries, Affiliates or the Agent) to you electronically via e-mail (or otherwise in writing) after such change becomes effective.

CERTIFICATION

I, Douglas R. Lebda, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2014 of Tree.com, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2014

/s/ Douglas R. Lebda

Douglas R. Lebda

Chairman and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Alexander Mandel, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2014 of Tree.com, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2014

/s/ Alexander Mandel

Alexander Mandel

Chief Financial Officer

(principal financial officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Douglas R. Lebda, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014 of Tree.com, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Tree.com, Inc.

Date: May 7, 2014

/s/ Douglas R. Lebda

Douglas R. Lebda

*Chairman and Chief Executive Officer
(principal executive officer)*

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alexander Mandel, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014 of Tree.com, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Tree.com, Inc.

Date: May 7, 2014

/s/ Alexander Mandel

Alexander Mandel

Chief Financial Officer

(principal financial officer)