

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): **June 6, 2012**

Tree.com, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

00134063
(Commission
File Number)

26-2414818
(IRS Employer
Identification No.)

11115 Rushmore Drive, Charlotte, NC
(Address of Principal Executive Offices)

28277
(Zip Code)

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

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On June 6, 2012, we completed the sale of substantially all of the operating assets of our LendingTree Loans business to a wholly-owned subsidiary of Discover Financial Services. We refer to Discover Financial Services and its affiliates as "Discover." The sale was completed pursuant to the terms of the asset purchase agreement dated May 12, 2011, as amended on February 7, 2012. Discover paid an aggregate of \$45.9 million including payments made by Discover prior to the closing which were applied to the closing price, and an additional \$10 million will be due on the first anniversary of the closing, subject to certain conditions being satisfied as of that date. Approximately \$17.1 million of such amount is being held in escrow pending the discharge of certain contingent liabilities not assumed by Discover related to loans previously sold to secondary market investors. As a result of the closing of the sale, our LendingTree Exchanges represent our sole operating business.

As previously reported, we will continue 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. Discover has also agreed to be a participating lender in our LendingTree Network following the closing.

We issued a press release announcing the closing of the asset sale described above. A copy of the press release is attached as an exhibit to this report and is incorporated herein by reference.

The description of the asset purchase agreement, as amended, contained herein is qualified in its entirety by reference to the full text of the asset purchase agreement dated May 12, 2011, a copy of which is included as Exhibit 2.1 to this report, and the amendment to asset purchase agreement dated February 7, 2012, a copy of which is included as Exhibit 2.2 to our this report.

Item 9.01. Financial Statements and Exhibits.

(b) Pro forma financial information.

Exhibit 99.2 to this report includes certain unaudited pro forma financial information giving effect to the closing of the sale of substantially all of the operating assets of our LendingTree Loans business to a wholly-owned subsidiary of Discover Financial Services.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
2.1 (1)	Asset Purchase Agreement dated May 12, 2011 by and among Tree.com, Inc., Home Loan Center, Inc., LendingTree, LLC, HLC Escrow, Inc. and Discover Bank*
2.2 (2)	Amendment to Asset Purchase Agreement dated as of February 7, 2012 by and among Home Loan Center, Inc., HLC Escrow, Inc., LendingTree, LLC, Tree.com, Inc., Discover Bank and Discover Financial Services*
99.1	Press Release
99.2	Unaudited Pro Forma Financial Information

* The schedules (and similar attachments) to this exhibit have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish a supplemental copy of any omitted schedule (or similar attachment) to the Securities and Exchange Commission upon request.

(1) Incorporated by reference to exhibit 2.1 to the registrant's current report on Form 8-K filed May 16, 2011

(2) Incorporated by reference to exhibit 2.1 to the registrant's current report on Form 8-K filed February 8, 2012

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

June 7, 2012

TREE.COM, INC.

By: /s/ Katharine Pierce

Katharine Pierce

Assistant General Counsel and Corporate Secretary

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Tree.com Completes Sale of Certain Assets of Home Loan Center, Inc. to Discover

CHARLOTTE, N.C., (June 7, 2012) — Tree.com, Inc. (NASDAQ: TREE) announced today that it has completed the sale of substantially all of the operating assets of its Home Loan Center, Inc. business to a wholly-owned subsidiary of Discover Financial Services (NYSE: DFS). In exchange for the assets sold, Discover paid an aggregate of \$45.9 million including payments made prior to the closing which were applied to the closing price. A portion of such amount is being held in escrow pending the discharge of certain contingent liabilities not assumed by Discover related to loans previously sold to secondary market investors. An additional \$10 million of purchase price will be due on the first anniversary of the closing, subject to certain conditions being satisfied.

“We’re very excited to complete this transaction and our transition to a focused performance marketing company. Tree.com will now be able to focus solely on our core lead generation business powered by our world-class marketing team,” said Doug Lebda, chairman and CEO of Tree.com. “Discover has the brand and experience to scale the Home Loan Center operating platform and we’re looking forward to a long relationship with them as a customer of LendingTree. The completion of this transaction is beneficial for both companies.”

About Tree.com, Inc.

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

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

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TREE.COM, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements give effect to the sale of substantially all of the operating assets of our LendingTree Loans business to a wholly-owned subsidiary of Discover Financial Services. These pro forma statements are derived from, and should be read in conjunction with, our audited consolidated financial statements for the year ended December 31, 2011 and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and our unaudited consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.

The unaudited pro forma consolidated balance sheet as of March 31, 2012 assumes the asset sale transaction occurred March 31, 2012. The unaudited pro forma consolidated statements of operations for the year ended December 31, 2011 and the three months ended March 31, 2012 give effect to the asset sale transaction as if it had occurred as of the beginning of each of those respective periods.

The unaudited pro forma consolidated financial information is presented for informational purposes only and is based upon estimates by our management, which are based upon available information and certain assumptions that our management believes are reasonable. The unaudited pro forma condensed consolidated financial information is not intended to be indicative of actual results of operations or financial position that would have been achieved had the asset sale transaction been completed as of the beginning of each period indicated above, nor does it purport to indicate results which may be attained in the future. Actual amounts could differ materially from these estimates.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the notes thereto.

TREE.COM, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA
CONSOLIDATED BALANCE SHEET

MARCH 31, 2012

(In thousands, except par value and share amounts)

	As Reported (a)	Dispositions (b)	Pro Forma
ASSETS:			
Cash and cash equivalents	\$ 58,953	\$ 19,770	\$ 78,723
Restricted cash and cash equivalents	14,852	20,100	34,952
Accounts receivable, net of allowance of \$87	5,645	—	5,645
Prepaid and other current assets	1,204	—	1,204
Current assets of discontinued operations	175,620	(15,226)	160,394
Total current assets	<u>256,274</u>	<u>24,645</u>	<u>280,919</u>
Property and equipment, net	7,696	—	7,696
Goodwill	3,632	—	3,632
Intangible assets, net	11,082	—	11,082
Other non-current assets	231	—	231
Non-current assets of discontinued operations	11,011	(10,478)	533
Total assets	<u>\$ 289,926</u>	<u>\$ 14,167</u>	<u>\$ 304,093</u>
LIABILITIES:			
Accounts payable, trade	\$ 6,758	\$ —	\$ 6,758
Deferred revenue	188	—	188
Deferred income taxes	4,335	—	4,335
Accrued expenses and other current liabilities	15,201	—	15,201
Current liabilities of discontinued operations	197,901	(11,268)	186,633
Total current liabilities	<u>224,383</u>	<u>(11,268)</u>	<u>213,115</u>
Income taxes payable	7	—	7
Other long-term liabilities	4,013	—	4,013
Deferred income taxes	510	—	510
Non-current liabilities of discontinued operations	908	—	908
Total liabilities	<u>229,821</u>	<u>(11,268)</u>	<u>218,553</u>
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 12,398,397 shares, outstanding 11,275,136 shares	124	—	124
Additional paid-in capital	912,469	—	912,469
Accumulated deficit	(843,956)	25,435	(818,521)
Treasury stock 1,123,261 shares	(8,532)	—	(8,532)
Total shareholders' equity	<u>60,105</u>	<u>25,435</u>	<u>85,540</u>
Total liabilities and shareholders' equity	<u>\$ 289,926</u>	<u>\$ 14,167</u>	<u>\$ 304,093</u>

TREE.COM, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA
CONSOLIDATED STATEMENT OF OPERATIONSFOR THE THREE MONTHS ENDED MARCH 31, 2012
(In thousands, except per share amounts)

	As Reported (a)	Disposition (c)	Pro Forma
Revenue	\$ 13,235	\$ —	\$ 13,235
Costs and expenses (exclusive of depreciation shown separately below)			
Cost of revenue	796	—	796
Selling and marketing expense	10,652	—	10,652
General and administrative expense	4,803	—	4,803
Product development	774	—	774
Litigation settlements and contingencies	222	—	222
Restructuring expense	(64)	—	(64)
Amortization of intangibles	107	—	107
Depreciation	1,224	—	1,224
Total costs and expenses	<u>18,514</u>	<u>—</u>	<u>18,514</u>
Operating loss	(5,279)	—	(5,279)
Other expense			
Interest expense	(121)	—	(121)
Total other expense, net	<u>(121)</u>	<u>—</u>	<u>(121)</u>
Loss before income taxes	(5,400)	—	(5,400)
Income tax benefit	2,131	—	2,131
Net loss from continuing operations	(3,269)	—	(3,269)
Income (loss) from operations of discontinued operations, net of tax	17,418	(17,492)	(74)
Net income (loss) attributable to common shareholders	<u>\$ 14,149</u>	<u>\$ (17,492)</u>	<u>\$ (3,343)</u>
Weighted average common shares outstanding	<u>11,173</u>	<u>—</u>	<u>11,173</u>
Weighted average diluted shares outstanding	<u>11,414</u>	<u>—</u>	<u>11,414</u>
Net loss per share from continuing operations			
Basic	<u>\$ (0.29)</u>	<u>\$ —</u>	<u>\$ (0.29)</u>
Diluted	<u>\$ (0.29)</u>	<u>\$ —</u>	<u>\$ (0.29)</u>
Net income (loss) per share from discontinued operations			
Basic	<u>\$ 1.56</u>	<u>\$ (1.57)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ 1.53</u>	<u>\$ (1.54)</u>	<u>\$ (0.01)</u>
Net income (loss) per share attributable to common shareholders			
Basic	<u>\$ 1.27</u>	<u>\$ (1.57)</u>	<u>\$ (0.30)</u>
Diluted	<u>\$ 1.24</u>	<u>\$ (1.54)</u>	<u>\$ (0.30)</u>

TREE.COM, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA
CONSOLIDATED STATEMENT OF OPERATIONSFOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands, except per share amounts)

	As Reported (d)	Disposition (c)	Pro Forma
Revenue	\$ 54,617	\$ —	\$ 54,617
Costs and expenses (exclusive of depreciation shown separately below)			
Cost of revenue	4,133	—	4,133
Selling and marketing expense	46,662	—	46,662
General and administrative expense	19,751	—	19,751
Product development	3,203	—	3,203
Litigation settlements and contingencies	5,732	—	5,732
Restructuring expense	1,080	—	1,080
Amortization of intangibles	891	—	891
Depreciation	5,023	—	5,023
Asset impairments	29,250	—	29,250
Total costs and expenses	<u>115,725</u>	<u>—</u>	<u>115,725</u>
Operating loss	(61,108)	—	(61,108)
Other expense			

Interest expense	(368)	—	(368)
Total other expense, net	(368)	—	(368)
Loss before income taxes	(61,476)	—	(61,476)
Income tax benefit	11,766	—	11,766
Net loss from continuing operations	(49,710)	—	(49,710)
Gain from sale of discontinued operations, net of tax	7,752	—	7,752
Loss from operations of discontinued operations, net of tax	(17,545)	741	(16,804)
Loss from discontinued operations	(9,793)	741	(9,052)
Net loss attributable to common shareholders	<u>\$ (59,503)</u>	<u>\$ 741</u>	<u>\$ (58,762)</u>
Weighted average common shares outstanding	10,995	—	10,995
Weighted average diluted shares outstanding	10,995	—	10,995
Net loss per share from continuing operations			
Basic	<u>\$ (4.52)</u>	<u>\$ —</u>	<u>\$ (4.52)</u>
Diluted	<u>\$ (4.52)</u>	<u>\$ —</u>	<u>\$ (4.52)</u>
Net loss per share from discontinued operations			
Basic	<u>\$ (0.89)</u>	<u>\$ 0.07</u>	<u>\$ (0.82)</u>
Diluted	<u>\$ (0.89)</u>	<u>\$ 0.07</u>	<u>\$ (0.82)</u>
Net loss per share attributable to common shareholders			
Basic	<u>\$ (5.41)</u>	<u>\$ 0.07</u>	<u>\$ (5.34)</u>
Diluted	<u>\$ (5.41)</u>	<u>\$ 0.07</u>	<u>\$ (5.34)</u>

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TREE.COM, INC. AND SUBSIDIARIES

**NOTES TO UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS**

- (a) Historical activity as reported in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.
- (b) To eliminate certain assets and liabilities of HLC as a result of the sale of these assets and liabilities, after adjusting for estimated cash proceeds to be received at closing.
- (c) To reflect the elimination of the HLC historical results of operations.
- (d) Historical activity as reported in our Annual Report on Form 10-K for the year ended December 31, 2011.

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