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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2010

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

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**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.)
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11115 Rushmore Drive, Charlotte, North Carolina 28277

(Address of principal executive offices)

(704) 541-5351

(Registrant's telephone number, including area code)

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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 during the preceding 12 months (or for such shorter period than 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 definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller  
reporting company)

Smaller reporting company

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 6, 2010 there were 11,205,794 shares of the Registrant's common stock, par value \$.01 per share, outstanding.



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## PART 1—FINANCIAL INFORMATION

Item 1. *Financial Statements*

## TREE.COM, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except per share amounts)	
Revenue		
LendingTree Loans	\$ 25,738	\$ 34,372
Exchanges and other	18,374	17,129
Real Estate	3,899	5,759
Total revenue	<u>48,011</u>	<u>57,260</u>
Cost of revenue		
LendingTree Loans	10,154	11,856
Exchanges and other	1,452	2,467
Real Estate	2,455	3,864
Total cost of revenue (exclusive of depreciation shown separately below)	<u>14,061</u>	<u>18,187</u>
Gross margin	33,950	39,073
Operating expenses		
Selling and marketing expense	20,146	13,822
General and administrative expense	12,702	16,299
Product development	1,366	1,608
Litigation settlements and contingencies	16	394
Restructuring expense	2,610	842
Amortization of intangibles	943	1,263
Depreciation	1,509	1,664
Total operating expenses	<u>39,292</u>	<u>35,893</u>
Operating (loss) income	(5,342)	3,180
Other income (expense)		
Interest income	7	48
Interest expense	(166)	(151)
Total other (expense), net	<u>(159)</u>	<u>(103)</u>
(Loss) income before income taxes	(5,501)	3,077
Income tax (provision) benefit	(645)	83
Net (loss) income	<u>\$ (6,146)</u>	<u>\$ 3,160</u>
Weighted average common shares outstanding	<u>10,960</u>	<u>9,676</u>
Weighted average diluted shares outstanding	<u>10,960</u>	<u>9,739</u>
Net (loss) income per share available to common shareholders		
Basic	<u>\$ (0.56)</u>	<u>\$ 0.33</u>
Diluted	<u>\$ (0.56)</u>	<u>\$ 0.32</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

## TREE.COM, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
	(unaudited)	
	(In thousands, except par value and share amounts)	
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 73,051	\$ 86,093
Restricted cash and cash equivalents	12,173	12,019
Accounts receivable, net of allowance of \$974 and \$518, respectively	7,149	6,835
Loans held for sale (\$99,471 and \$92,236 measured at fair value, respectively)	100,716	93,596
Prepaid and other current assets	10,104	10,758
Total current assets	<u>203,193</u>	<u>209,301</u>
Property and equipment, net	12,397	12,257
Goodwill	12,152	12,152
Intangible assets, net	56,683	57,626
Other non-current assets	602	496
Total assets	<u>\$ 285,027</u>	<u>\$ 291,832</u>
<b>LIABILITIES:</b>		
Warehouse lines of credit	\$ 83,498	\$ 78,481
Accounts payable, trade	9,840	5,905
Deferred revenue	1,781	1,731
Deferred income taxes	2,033	2,211
Accrued expenses and other current liabilities	42,058	54,694
Total current liabilities	<u>139,210</u>	<u>143,022</u>
Income taxes payable	488	510
Other long-term liabilities	14,589	12,010
Deferred income taxes	16,088	15,380
Total liabilities	<u>170,375</u>	<u>170,922</u>
Commitments and contingencies (Note 12)		
<b>SHAREHOLDERS' EQUITY:</b>		
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 11,227,117 and 10,904,330 shares, respectively, and outstanding 11,148,327 and 10,904,330 shares, respectively	112	109
Additional paid-in capital	902,370	901,818
Accumulated deficit	(787,163)	(781,017)
Treasury stock 78,790 and -0- shares, respectively	(667)	—
Total shareholders' equity	<u>114,652</u>	<u>120,910</u>
Total liabilities and shareholders' equity	<u>\$ 285,027</u>	<u>\$ 291,832</u>

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 (In thousands)	Accumulated Deficit	Treasury Stock	
	Total	Number of Shares	Amount			Number of Shares	Amount
<b>Balance as of December 31, 2009</b>	\$ 120,910	10,904	\$ 109	\$ 901,818	\$ (781,017)	—	\$ —
Comprehensive loss:							
Net loss for the three months ended March 31, 2010	(6,146)	—	—	—	(6,146)	—	—
Comprehensive loss	(6,146)	—	—	—	—	—	—
Non-cash compensation	1,094	—	—	1,094	—	—	—
Issuance of common stock upon exercise of stock options and vesting of restricted stock units, net of withholding taxes	(539)	173	2	(541)	—	—	—
Issuance of restricted stock	—	150	1	(1)	—	—	—
Purchase of treasury stock	(667)	—	—	—	—	(79)	(667)
<b>Balance as of March 31, 2010</b>	<u>\$ 114,652</u>	<u>11,227</u>	<u>\$ 112</u>	<u>\$ 902,370</u>	<u>\$ (787,163)</u>	<u>(79)</u>	<u>\$ (667)</u>

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,	
	2010	2009
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (6,146)	\$ 3,160
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Loss on disposal of fixed assets	4	638
Amortization of intangibles	943	1,263
Depreciation	1,509	1,664
Non-cash compensation expense	1,094	1,177
Non-cash restructuring expense	93	161
Deferred income taxes	530	—
Gain on origination and sale of loans	(23,400)	(32,764)
Loss on impaired loans not sold	—	61
Loss on sale of real estate acquired in satisfaction of loans	368	34
Bad debt expense	75	79
Changes in current assets and liabilities:		
Accounts receivable	(390)	684
Origination of loans	(608,365)	(714,441)
Proceeds from sales of loans	626,226	747,332
Principal payments received on loans	180	446
Payments to investors for loan repurchases and early payoff obligations	(2,236)	(876)
Prepaid and other current assets	(175)	(421)
Accounts payable and other current liabilities	(7,997)	2,901
Income taxes payable	59	(126)
Deferred revenue	(36)	(14)
Other, net	2,573	287
<b>Net cash (used in) provided by operating activities</b>	<u>(15,091)</u>	<u>11,245</u>
<b>Cash flows from investing activities:</b>		
Acquisitions	—	(1,000)
Capital expenditures	(1,609)	(592)
Other, net	446	458
<b>Net cash used in investing activities</b>	<u>(1,163)</u>	<u>(1,134)</u>
<b>Cash flows from financing activities:</b>		
Borrowing under warehouse lines of credit	551,088	592,347
Repayments of warehouse lines of credit	(546,070)	(596,374)
Issuance of common stock, net of withholding taxes	(539)	1,909
Purchase of treasury stock	(667)	—
Increase in restricted cash	(600)	(200)
<b>Net cash provided by (used in) financing activities</b>	<u>3,212</u>	<u>(2,318)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(13,042)</u>	<u>7,793</u>
Cash and cash equivalents at beginning of period	86,093	73,643
<b>Cash and cash equivalents at end of period</b>	<u>\$ 73,051</u>	<u>\$ 81,436</u>

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**

**Spin-Off**

On August 20, 2008, Tree.com, Inc. ("Tree.com" or the "Company") was spun off from its parent company, IAC/InterActiveCorp ("IAC") into a separate publicly traded company. In these consolidated financial statements, we refer to the separation transaction as the "spin-off." In connection with the spin-off, Tree.com was incorporated as a Delaware corporation in April 2008.

**Company Overview**

Tree.com is the parent of LendingTree, LLC and the owner of several brands and businesses that provide information, tools, advice, products and services for critical transactions in our customers' lives. Our family of brands includes: LendingTree.com®, GetSmart.com®, RealEstate.com®, DegreeTree.com<sup>SM</sup>, HealthTree.com<sup>SM</sup>, LendingTreeAutos.com, DoneRight.com®, and InsuranceTree.com<sup>SM</sup>. Together, these brands serve as an ally for consumers who are looking to comparison shop for loans, real estate and other services from multiple businesses and professionals who will compete for their business.

These businesses and brands are operated under the segments known as LendingTree Loans, the Exchanges and Real Estate.

*LendingTree Loans*

The LendingTree Loans segment originates, processes, approves and funds various residential real estate loans through Home Loan Center, Inc. ("HLC"), (d/b/a LendingTree Loans). The HLC and LendingTree Loans brand names are collectively referred to in these consolidated financial statements as "LendingTree Loans."

*Exchanges*

The Exchanges segment consists of online lead generation networks and call centers (principally LendingTree.com, Tree.com, DegreeTree.com, LendingTreeAutos and GetSmart.com) that connect consumers and service providers principally in the lending, higher education and automobile marketplaces.

*Real Estate*

The Real Estate segment consists of a proprietary full service real estate brokerage (RealEstate.com, REALTORS®) that operates in 20 U.S. markets, as well as an online lead generation network accessed at [www.RealEstate.com](http://www.RealEstate.com), that connects consumers with third party real estate brokerages around the country.

Tree.com maintains operations solely in the United States.

**Basis of Presentation**

The accompanying unaudited interim consolidated financial statements as of March 31, 2010 and 2009 and for the three months then ended have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do

**TREE.COM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 1—ORGANIZATION (Continued)**

not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of the Company's 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 the Company's financial position for the periods presented. The results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010, or any other period. These financial statements and notes should be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2009, as amended by Amendment No. 1 to the Company's annual report on Form 10-K/A.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Estimates**

Tree.com's management is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles ("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 include: valuation allowance for impaired loans held for sale; loan loss obligations; the fair value of loans held for sale and related derivatives; 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; contingent consideration related to business combinations; various other allowances, reserves and accruals; and assumptions related to the determination of stock-based compensation.

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Restricted Cash and Cash Equivalents

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

	March 31, 2010	December 31, 2009
Cash in escrow for future operating lease commitments	\$ —	\$ 788
Cash in escrow for surety bonds	5,030	5,030
Cash in escrow for corporate purchasing card program	2,203	2,203
Minimum required balances for warehouse lines of credit(a)	2,475	1,875
Other	2,465	2,123
Total restricted cash and cash equivalents	<u>\$ 12,173</u>	<u>\$ 12,019</u>

- (a) An additional \$0.6 million of restricted cash is required under a warehouse line of credit that had no borrowings outstanding as of December 31, 2009. At March 31, 2010, the Company transferred \$0.6 million from cash and cash equivalents to restricted cash and cash equivalents related to borrowings against this line of credit.

## Recent Accounting Pronouncements

On June 12, 2009, the FASB issued the accounting standard for transfers and servicing of financial assets. The objective is to improve relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This standard is effective for annual reporting periods beginning after November 15, 2009. Tree.com adopted this standard on January 1, 2010 and determined there was no material impact to the financial statements.

On January 21, 2010, the FASB amended and Tree.com adopted the accounting standard for fair value measurements and disclosures, which added new requirements for disclosures about transfers into and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The amendment also clarifies existing fair value disclosures about the level of disaggregation and the inputs and valuation techniques used to measure fair value. This amendment is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. See Note 9 for further information.

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 3—GOODWILL AND INTANGIBLE ASSETS

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

	March 31, 2010	December 31, 2009
Goodwill	\$ 12,152	\$ 12,152
Intangible assets with indefinite lives	52,733	52,733
Intangible assets with definite lives, net	3,950	4,893
Total goodwill and intangible assets, net	<u>\$ 68,835</u>	<u>\$ 69,778</u>

Intangible assets with indefinite lives relate principally to trade names and trademarks acquired in various acquisitions.

At March 31, 2010, intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Purchase agreements	\$ 76,352	\$ (75,304)	\$ 1,048	5.7
Technology	30,491	(29,506)	985	3.0
Customer lists	7,388	(6,647)	741	3.9
Other	9,813	(8,637)	1,176	4.1
Total	<u>\$ 124,044</u>	<u>\$ (120,094)</u>	<u>\$ 3,950</u>	

At December 31, 2009, intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Purchase agreements	\$ 76,352	\$ (74,657)	\$ 1,695	5.7
Technology	30,491	(29,396)	1,095	3.0
Customer lists	7,388	(6,631)	757	3.9
Other	9,813	(8,467)	1,346	4.1
Total	<u>\$ 124,044</u>	<u>\$ (119,151)</u>	<u>\$ 4,893</u>	

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on March 31, 2010 balances, such amortization for the next five years is estimated to be as follows (in thousands):

	Amount
Nine months ending December 31, 2010	\$ 1,769
Year ending December 31, 2011	1,086
Year ending December 31, 2012	411
Year ending December 31, 2013	144
Year ending December 31, 2014	84
Thereafter	456
Total	<u>\$ 3,950</u>

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 3—GOODWILL AND INTANGIBLE ASSETS (Continued)

The following table presents the balance of goodwill by segment at March 31, 2010 and December 31, 2009 (in thousands):

	LendingTree Loans	Exchanges	Real Estate	Total
Goodwill	\$ 46,526	\$ 485,955	\$ 70,091	\$ 602,572
Accumulated impairment losses	(46,526)	(483,088)	(60,806)	(590,420)
Goodwill, net	\$ —	\$ 2,867	\$ 9,285	\$ 12,152

There was no activity in goodwill during the three months ended March 31, 2010.

## NOTE 4—PROPERTY AND EQUIPMENT

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

	March 31, 2010	December 31, 2009
Computer equipment and capitalized software	\$ 36,753	\$ 35,881
Leasehold improvements	2,544	2,888
Furniture and other equipment	4,109	4,096
Projects in progress	2,342	1,532
	45,748	44,397
Less: accumulated depreciation and amortization	(33,351)	(32,140)
Total property and equipment, net	\$ 12,397	\$ 12,257

## NOTE 5—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31, 2010	December 31, 2009
Accrued loan loss liability related to loans previously sold	\$ 6,254	\$ 6,115
Loan loss settlement liability related to loans previously sold	3,450	4,500
Litigation accruals	4,750	12,750
Accrued advertising expense	8,122	8,095
Accrued compensation and benefits	4,032	7,525
Accrued professional fees	856	1,528
Accrued restructuring costs	1,356	1,848
Derivative liabilities	229	356
Customer deposits and escrows	3,697	3,387
Deferred rent	546	793
Other	8,766	7,797
Total accrued expenses and other current liabilities	\$ 42,058	\$ 54,694

**TREE.COM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 5—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES (Continued)**

The other category above reflects an earnout payable related to an acquisition, franchise taxes, self-insured health claims and other miscellaneous accrued expenses.

An additional \$6.6 million and \$6.4 million of accrued loan loss liability related to loans previously sold are classified in other long term liabilities at March 31, 2010 and December 31, 2009, respectively.

**NOTE 6—WAREHOUSE LINES OF CREDIT**

Borrowings on warehouse lines of credit were \$83.5 million and \$78.5 million at March 31, 2010 and December 31, 2009, respectively.

As of March 31, 2010, LendingTree Loans had three committed lines of credit totaling \$165.0 million of borrowing capacity. Borrowings under these lines of credit are used to fund, and are secured by, consumer residential loans that are held for sale. Loans under these lines of credit are repaid using proceeds from the sales of loans held for sale by LendingTree Loans.

The \$40.0 million first line is with a lender that is exiting the warehouse lending business, and it expires on June 30, 2010. No advances under the warehouse line may be requested or funded after May 31, 2010. The interest rate under this line is 30-day LIBOR plus 3.00%. We do not expect this line to be renewed after June 30, 2010. The Company has anticipated that decision and has factored it into the future liquidity needs.

The \$50.0 million second line was scheduled to expire on April 30, 2010, but has been extended to June 29, 2010 and can be cancelled at the option of the lender without default upon sixty days notice. This second line includes an additional uncommitted credit facility of \$75.0 million. This second line is also guaranteed by Tree.com, Inc., Lending Tree, LLC and Lending Tree Holdings Corp. The interest rate under the second line is 2.25% plus the greater of (a) the 30-day LIBOR or (b) 2.00%. The interest rate under the \$75.0 million uncommitted line is 30-day LIBOR plus 1.50%. LendingTree Loans is also required to sell at least 25% of the loans it originates to the lender under this line or pay a "pair-off fee" of 0.25% on the difference between the required and actual volume of loans sold.

The \$75.0 million third line is scheduled to expire on October 29, 2010. This third line is also guaranteed by Tree.com, Inc., LendingTree, LLC and LendingTree Holdings Corporation. The interest rate under this line is 30-day LIBOR or 2.0% (whichever is greater) plus 2.50% to 3.0% for loans being sold to the lender and 30-day LIBOR or 2.0% (whichever is greater) plus 2.75% for loans not being sold to the lender.

Under the terms of these warehouse lines, LendingTree Loans is required to maintain various financial and other covenants. These financial covenants include, but are not limited to, maintaining (i) minimum tangible net worth of \$45.0 million, (ii) minimum liquidity, (iii) a minimum current ratio, (iv) a maximum ratio of total liabilities to net worth, (v) a maximum leverage ratio and (vi) pre-tax net income requirements. During the quarter ended March 31, 2010, LendingTree Loans was in compliance with the covenants under the lines.

The LendingTree Loans business is highly dependent on the availability of these warehouse lines. Although we believe that our existing lines of credit are adequate for our current operations, reductions in our available credit, or the inability to renew or replace these lines, would have a material adverse effect on our business, financial condition and results of operations. Management has determined that it could continue to operate the LendingTree Loans business at a reduced capacity if two, but not all three, of the warehouse lines were lost. We expect to renew the lines that are expiring on June 29, 2010 and October 29, 2010.

**TREE.COM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 7—SEGMENT INFORMATION**

The overall concept that Tree.com employs in determining its reportable segments and related financial information is to present them in a manner consistent with how the chief operating decision maker and executive management view the Tree.com businesses, how the businesses are organized as to segment management, and the focus of the Tree.com businesses with regards to the types of products or services offered or the target market.

The expenses presented below for each of the business segments include an allocation of certain corporate expenses that are identifiable and directly benefit those segments. The unallocated expenses are those corporate overhead expenses that are not directly attributable to a segment and include: corporate expenses such as finance, legal, executive, technology support, and human resources, as well as elimination of inter-segment revenue and costs.

Tree.com's primary performance metrics are EBITDA and Adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding (1) non-cash compensation expense, (2) non-cash intangible asset impairment charges, (3) gain/loss on disposal of assets, (4) restructuring expenses, (5) litigation loss contingencies and settlements, (6) pro forma adjustments for significant acquisitions, and (7) one-time items, which are truly one-time in nature and 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 one-time items. These measures are two of the primary metrics by which Tree.com evaluates the performance of its businesses, on which its internal budgets are based and by which management is compensated. Tree.com believes that investors should have access to the same set of tools that it uses in analyzing its results. EBITDA and Adjusted EBITDA have certain limitations in that they do not take into account the impact to Tree.com's statement of operations of certain expenses, including depreciation, non-cash compensation and acquisition related accounting. Tree.com endeavors to compensate for the limitations of the non-GAAP measure presented by also providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure.

**TREE.COM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 7—SEGMENT INFORMATION (Continued)**

Summarized information by segment and reconciliation to EBITDA is as follows (in thousands):

	For the Three Months Ended March 31, 2010:				
	LendingTree Loans	Exchanges	Real Estate	Unallocated— Corporate	Total
Revenue	\$ 25,738	\$ 26,051	\$ 3,899	\$ (7,677)	\$ 48,011
Cost of revenue (exclusive of depreciation shown separately below)	10,154	1,128	2,455	324	14,061
Gross margin	15,584	24,923	1,444	(8,001)	33,950
Operating expenses:					
Selling and marketing expense	7,998	19,085	689	(7,626)	20,146
General and administrative expense	4,816	1,593	1,541	4,752	12,702
Product development	131	882	168	185	1,366
Litigation loss contingencies and settlements	16	—	—	—	16
Restructuring expense	7	140	—	2,463	2,610
Amortization of intangibles	—	295	636	12	943
Depreciation	490	319	334	366	1,509
Total operating expenses	13,458	22,314	3,368	152	39,292
Operating income (loss)	2,126	2,609	(1,924)	(8,153)	(5,342)
Adjustments to reconcile to EBITDA and Adjusted EBITDA:					
Amortization of intangibles	—	295	636	12	943
Depreciation	490	319	334	366	1,509
EBITDA	2,616	3,223	(954)	(7,775)	(2,890)
Restructuring expense	7	140	—	2,463	2,610
Loss on disposal of assets	—	—	1	3	4
Non-cash compensation	131	333	55	575	1,094
Litigation loss contingencies and settlements	16	—	—	—	16
Adjusted EBITDA	\$ 2,770	\$ 3,696	\$ (898)	\$ (4,734)	\$ 834
Reconciliation to net loss in total:					
Operating loss per above					\$ (5,342)
Other expense, net					(159)
Loss before income taxes					(5,501)
Income tax provision					(645)
Net loss					\$ (6,146)

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 7—SEGMENT INFORMATION (Continued)

	For the Three Months Ended March 31, 2009:				
	LendingTree Loans	Exchanges	Real Estate	Unallocated— Corporate	Total
Revenue	\$ 34,372	\$ 19,067	\$ 5,759	\$ (1,938)	\$ 57,260
Cost of revenue (exclusive of depreciation shown separately below)	11,856	1,891	3,864	576	18,187
Gross margin	22,516	17,176	1,895	(2,514)	39,073
Operating expenses:					
Selling and marketing expense	2,114	11,968	1,678	(1,938)	13,822
General and administrative expense	4,974	2,784	2,699	5,842	16,299
Product development	150	632	534	292	1,608
Litigation loss contingencies and settlements	363	7	25	—	395
Restructuring expense	(108)	58	733	159	842
Amortization of intangibles	70	50	1,143	—	1,263
Depreciation	787	199	260	418	1,664
Total operating expenses	8,350	15,698	7,072	4,773	35,893
Operating income (loss)	14,166	1,478	(5,177)	(7,287)	3,180
Adjustments to reconcile to EBITDA and Adjusted EBITDA:					
Amortization of intangibles	70	50	1,143	—	1,263
Depreciation	787	199	260	418	1,664
EBITDA	15,023	1,727	(3,774)	(6,869)	6,107
Restructuring expense	(108)	58	733	159	842
Loss on disposal of assets	—	638	—	—	638
Non-cash compensation	69	113	98	897	1,177
Litigation loss contingencies and settlements	363	7	25	—	395
Adjusted EBITDA	\$ 15,347	\$ 2,543	\$ (2,918)	\$ (5,813)	\$ 9,159
Reconciliation to net income in total:					
Operating income per above					\$ 3,180
Other expense, net					(103)
Income before income taxes					3,077
Income tax benefit					83
Net income					\$ 3,160

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 7—SEGMENT INFORMATION (Continued)

Significant components of revenue for the three months ended March 31, 2010 and 2009 are as follows (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
<b>LendingTree Loans:</b>		
Origination and sale of loans	\$ 23,400	\$ 32,764
Other	2,338	1,608
Total LendingTree Loans revenue	<u>25,738</u>	<u>34,372</u>
<b>Exchanges:</b>		
Match fees	14,166	9,966
Closed loan fees	3,327	6,430
Other	881	733
Inter-segment	7,677	1,938
Total Exchanges	<u>26,051</u>	<u>19,067</u>
Real Estate revenue	3,899	5,759
Inter-segment elimination	(7,677)	(1,938)
<b>Total revenue</b>	<u><u>\$ 48,011</u></u>	<u><u>\$ 57,260</u></u>

Total assets by segment at March 31, 2010 and December 31, 2009 are as follows (in thousands):

	March 31, 2010	December 31, 2009
LendingTree Loans	\$ 177,262	\$ 167,976
Real Estate	27,125	28,031
Exchanges and Unallocated—Corporate(a)	80,640	95,825
<b>Total</b>	<u><u>\$ 285,027</u></u>	<u><u>\$ 291,832</u></u>

- (a) Assets are jointly used by the Exchanges and Unallocated—Corporate segments, and it is not practicable to allocate assets between these segments.

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 8—EARNINGS PER SHARE AND STOCK-BASED COMPENSATION

The following table sets forth the computation of Basic and Diluted earnings per share:

	Three Months Ended March 31,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
<b>Numerator:</b>				
Net income (loss) available to common shareholders	\$ (6,146)	\$ (6,146)	\$ 3,160	\$ 3,160
<b>Denominator:</b>				
Weighted average common shares	10,960	10,960	9,676	9,739
Net income (loss) per common share	\$ (0.56)	\$ (0.56)	\$ 0.33	\$ 0.32

Non-cash compensation expense related to equity awards is included in the following line items in the accompanying consolidated statements of operations for the three months ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31,	
	2010	2009
Cost of revenue	\$ 15	\$ 38
Selling and marketing expense	68	36
General and administrative expense	957	1,075
Product development	54	28
Non-cash compensation expense	\$ 1,094	\$ 1,177

The forms of stock-based awards granted to Tree.com employees are principally restricted stock units ("RSUs"), restricted stock and stock options. RSUs are awards in the form of units, denominated in a hypothetical equivalent number of shares of Tree.com common stock and with the value of each award equal to the fair value of Tree.com common stock at the date of grant. RSUs may be settled in cash, stock or both, as determined by the Compensation Committee at the time of grant. Each stock-based award is subject to service-based vesting, where a specific period of continued employment must pass before an award vests. Certain restricted stock awards also include performance-based vesting, where certain performance targets set at the time of grant must be achieved before an award vests. Tree.com recognizes expense for all stock-based awards for which vesting is considered probable. For stock-based awards, the accounting charge is measured at the grant date as the fair value of Tree.com common stock and expensed ratably as non-cash compensation over the vesting term. For performance-based awards, the expense is measured at the grant date as the fair value of Tree.com common stock and expensed as non-cash compensation over the vesting period if the performance targets are considered probable of being achieved.

The amount of stock-based compensation expense recognized in the consolidated statement of operations is reduced by estimated forfeitures, as the amount recorded is based on awards ultimately expected to vest. The forfeiture rate is estimated at the grant date based on historical experience and revised, if necessary, in subsequent periods if the actual forfeiture rate differs from the estimated rate.

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 8—EARNINGS PER SHARE AND STOCK-BASED COMPENSATION (Continued)

A summary of changes in outstanding stock options for the three months ended March 31, 2010 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2010	1,177,319	\$ 9.34		
Granted	—	—		
Exercised	(18,274)	7.37		
Forfeited	(30,938)	7.46		
Expired	(45,805)	11.11		
Outstanding at March 31, 2010	<u>1,082,302</u>	<u>\$ 9.36</u>	<u>6.9</u>	<u>\$ 971</u>
Options exercisable at March 31, 2010	<u>251,207</u>	<u>\$ 8.49</u>	<u>5.3</u>	<u>\$ 382</u>

The following table summarizes the information about stock options outstanding and exercisable as of March 31, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding at March 31, 2010	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at March 31, 2010	Weighted Average Exercise Price
\$0.01 to \$4.99	19,732	2.30	\$ 2.91	19,732	\$ 2.91
\$5.00 to \$7.45	15,301	2.71	6.68	15,301	6.68
\$7.46 to \$9.99	851,860	7.66	8.21	147,521	7.68
\$10.00 to \$14.99	66,903	2.96	12.12	66,903	12.12
\$15.00 to \$19.99	81,725	5.14	15.04	1,750	16.79
\$20.00 to \$24.99	46,781	5.19	20.19	—	—
	<u>1,082,302</u>	<u>6.90</u>	<u>\$ 9.36</u>	<u>251,207</u>	<u>\$ 8.49</u>

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 8—EARNINGS PER SHARE AND STOCK-BASED COMPENSATION (Continued)

Nonvested RSUs and restricted stock outstanding as of March 31, 2010 and changes during the three months ended March 31, 2010 were as follows:

	RSUs		Restricted Stock	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2010	704,938	\$ 8.03	350,000	\$ 5.42
Granted	376,031	8.25	150,000	9.15
Vested	(158,544)	10.98	(87,500)	5.42
Forfeited	(75,711)	6.43	—	—
Nonvested at March 31, 2010	846,714	\$ 7.84	412,500	\$ 6.78

On March 31, 2010, the Company entered into a restricted stock award agreement with the Chief Executive Officer in which he was awarded a total of 150,000 shares of restricted common stock of the Company. These shares of restricted common stock vest in three equal annual installments beginning on February 17, 2011, provided certain financial performance targets are met and he is employed by the Company on such dates. In the event shares do not vest in 2011 or 2012 because of the failure to attain the applicable financial performance target, such shares may vest in 2012 or 2013 if additional performance targets are met. These shares of restricted stock are entitled to voting rights prior to vesting. Until the shares of restricted common stock granted under these agreements vest, he is prohibited from selling, transferring, pledging, assigning or otherwise alienating or hypothecating such shares. All of the then-outstanding and unvested portion of the restricted common stock will vest upon the occurrence of a change of control.

## NOTE 9—FAIR VALUE MEASUREMENTS

Tree.com categorizes its assets and liabilities measured at fair value into a fair value hierarchy that prioritizes the assumptions used in pricing the asset or liability into the following three levels:

- Level 1: Observable inputs such as quoted prices for identical assets and liabilities in active markets obtained from independent sources.
- Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data.
- Level 3: Unobservable inputs for which there is little or no market data and require Tree.com to develop its own assumptions, based on the best information available in the circumstances, about the assumptions market participants would use in pricing the asset or liability.

**TREE.COM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 9—FAIR VALUE MEASUREMENTS (Continued)**

LendingTree Loans enters into commitments with consumers to originate loans at a specified interest rate (interest rate lock commitments—"IRLCs"). Tree.com reports IRLCs as derivative instruments at fair value with changes in fair value being recorded in current earnings as a component of revenue from the origination and sale of loans. IRLCs for loans to be sold to investors using a mandatory or assignment of trade ("AOT") method are hedged using "to be announced mortgage-backed securities" ("TBA MBS") and are valued using quantitative risk models. The IRLCs derive their base value from an underlying loan type with similar characteristics using the TBA MBS market which is actively quoted and easily validated through external sources. The most significant data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, note rate, loan program, and expected sale date of the loan. IRLCs for loans sold to investors on a best efforts basis are hedged using best efforts forward delivery commitments and are valued on an individual loan basis using a proprietary database program. These valuations are based on investor pricing tables stratified by product, note rate and term. The valuation is adjusted at the loan level to consider the servicing release premium and loan pricing adjustments specific to each loan. The Company applies an anticipated loan funding probability based on its own experience to value IRLCs, which results in the classification of these derivatives as Level 3. At March 31, 2010 and December 31, 2009, there were \$354.2 million and \$258.4 million, respectively, of IRLCs notional value outstanding.

Loans held for sale measured at fair value and sold to investors using a mandatory or AOT method are also hedged using TBA MBS and valued using quantitative risk models. The valuation is based on the loan amount, note rate, loan program, and expected sale date of the loan. Loans held for sale measured at fair value and sold to investors on a best efforts basis are hedged using best efforts forward delivery commitments and are valued using a proprietary database program. The best efforts valuations are based on daily investor pricing tables stratified by product, note rate and term. These valuations are adjusted at the loan level to consider the servicing release premium and loan pricing adjustments specific to each loan. Loans held for sale, excluding impaired loans, are classified as Level 2. Loans held for sale measured at fair value that become impaired are transferred from Level 2 to Level 3, as the estimate of fair value is based on the Company's experience considering lien position and current status of the loan.

Under LendingTree Loans' risk management policy, LendingTree Loans economically hedges the changes in fair value of IRLCs and loans held for sale caused by changes in interest rates by using TBA MBS and entering into best efforts forward delivery commitments. These hedging instruments are recorded at fair value with changes in fair value recorded in current earnings as a component of revenue from the origination and sale of loans. TBA MBS used to hedge both IRLCs and loans are valued using quantitative risk models based primarily on inputs related to characteristics of the MBS stratified by product, coupon, and settlement date. These derivatives are classified as Level 2. Best efforts forward delivery commitments are valued using a proprietary database program using investor pricing tables considering the current base loan price. An anticipated loan funding probability is applied to value best efforts commitments hedging IRLCs, which results in the classification of these contracts as Level 3. The best efforts forward delivery commitments hedging loans held for sale are classified as Level 2, so such contracts are transferred from Level 3 to Level 2 at the time the underlying loan is originated. For the purposes of the tables below, we refer to TBA MBS and best efforts forward delivery commitments collectively as "Forward Delivery Contracts".

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 9—FAIR VALUE MEASUREMENTS (Continued)

The following presents Tree.com's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010 and December 31, 2009 (in thousands):

	As of March 31, 2010			
	Recurring Fair Value Measurements Using			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
Loans held for sale	\$ —	\$ 98,695	\$ 776	\$ 99,471
Interest rate lock commitments ("IRLCs")	—	—	5,508	5,508
Forward delivery contracts	—	930	153	1,083
Total	\$ —	\$ 99,625	\$ 6,437	\$ 106,062

	As of December 31, 2009			
	Recurring Fair Value Measurements Using			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
Loans held for sale	\$ —	\$ 91,459	\$ 777	\$ 92,236
Interest rate lock commitments ("IRLCs")	—	—	3,680	3,680
Forward delivery contracts	—	2,737	487	3,224
Total	\$ —	\$ 94,196	\$ 4,944	\$ 99,140

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 9—FAIR VALUE MEASUREMENTS (Continued)

The following presents the changes in Tree.com's assets and liabilities that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31, 2010		
	Interest Rate Lock Commitments	Forward Delivery Contracts	Loans Held for Sale
Balance at January 1, 2010	\$ 3,680	\$ 487	\$ 777
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	25	—
Transfers of IRLCs to closed loans	(14,791)	—	—
Total net gains (losses) included in earnings (realized and unrealized)	21,333	(359)	1
Purchases, sales, and settlements			
Purchases	—	—	—
Sales	—	—	—
Settlements	(4,714)	—	(2)
Balance at March 31, 2010	\$ 5,508	\$ 153	\$ 776

	Three Months Ended March 31, 2009		
	Interest Rate Lock Commitments	Forward Delivery Contracts	Loans Held for Sale
Balance at January 1, 2009	\$ 5,904	\$ (20)	\$ 814
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	154	—
Transfers of IRLCs to closed loans	(15,172)	—	—
Total net gains (losses) included in earnings (realized and unrealized)	29,286	(158)	65
Purchases, sales, and settlements			
Purchases	—	—	—
Sales	—	—	(358)
Settlements	(11,238)	—	(250)
Balance at March 31, 2009	\$ 8,780	\$ (24)	\$ 271

**TREE.COM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 9—FAIR VALUE MEASUREMENTS (Continued)**

The following presents the gains included in earnings for the three months ended March 31, 2010 and 2009 relating to Tree.com's assets and liabilities that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Three Months Ended March 31, 2010		
	Interest Rate Lock Commitments	Forward Delivery Contracts	Loans Held for Sale
Total net gains included in earnings, which are included in revenue from LendingTree Loans	\$ 21,333	\$ (359)	\$ 1
Change in unrealized gains relating to assets and liabilities still held at March 31, 2010, which are included in revenue from LendingTree Loans	\$ 5,508	\$ 153	\$ 1

	Three Months Ended March 31, 2009		
	Interest Rate Lock Commitments	Forward Delivery Contracts	Loans Held for Sale
Total net gains included in earnings, which are included in revenue from LendingTree Loans	\$ 29,286	\$ (158)	\$ 65
Change in unrealized gains relating to assets and liabilities still held at March 31, 2009, which are included in revenue from LendingTree Loans	\$ 8,780	\$ (24)	\$ 130

The following table summarizes the Company's derivative instruments not designated as hedging instruments as of March 31, 2010 and December 31, 2009 (in thousands):

	March 31, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Lock Commitments	Prepaid and other current assets	\$ 5,623	Prepaid and other current assets	\$ 3,919
Forward Delivery Contracts	Prepaid and other current assets	1,197	Prepaid and other current assets	3,341
Interest Rate Lock Commitments	Accrued expenses and other current liabilities	(115)	Accrued expenses and other current liabilities	(239)
Forward Delivery Contracts	Accrued expenses and other current liabilities	(114)	Accrued expenses and other current liabilities	(117)
Total Derivatives		\$ 6,591		\$ 6,904

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 9—FAIR VALUE MEASUREMENTS (Continued)

The gain/(loss) recognized in the consolidated statements of operations for derivatives for the three months ended March 31, 2010 and 2009 was as follows (in thousands):

	Location of Gain/(Loss) Recognized in Income on Derivative	Three Months Ended	
		March 31, 2010	March 31, 2009
Interest Rate Lock Commitments	LendingTree Loans revenue	\$ 21,333	\$ 29,286
Forward Delivery Contracts	LendingTree Loans revenue	(2,073)	(981)
Total		\$ 19,260	\$ 28,305

Tree.com has elected to account for loans held for sale originated on or after January 1, 2008 at fair value. Electing the fair value option allows a better offset of the changes in fair values of the loans and the forward delivery contracts used to economically hedge them without the burden of complying with the requirements for hedge accounting.

Tree.com did not elect the fair value option on loans held for sale originated prior to January 1, 2008 and on loans that were repurchased from investors on or subsequent to that date. As of March 31, 2010 and December 31, 2009, 27 and 29 such loans, respectively, all of which were impaired, were included in loans held for sale and were carried at the lower of cost or market ("LOCOM") value assessed on an individual loan basis. The market value (or fair value) of these impaired loans at March 31, 2010 and December 31, 2009, measured on a non-recurring basis using significant unobservable inputs (Level 3), was \$1.2 and \$1.4 million, respectively. This fair value measurement is management's best estimate of the market value of such loans and considers the lien position and loan status.

The following presents the difference between the aggregate principal balance of loans held for sale for which the fair value option has been elected and for loans measured at LOCOM as of March 31, 2010 and December 31, 2009 (in thousands):

	As of March 31, 2010		
	Loans Held for Sale— Measured at Fair Value	Loans Held for Sale— Measured at LOCOM	Total Loans Held For Sale
Aggregate unpaid principal balance	\$ 98,038	\$ 3,093	\$ 101,131
Difference between fair value and aggregate unpaid principal balance	1,433	—	1,433
Lower of cost or market valuation allowance	—	(1,839)	(1,839)
Deferred loan fees, net of costs	—	(9)	(9)
Loans held for sale	\$ 99,471	\$ 1,245	\$ 100,716

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 9—FAIR VALUE MEASUREMENTS (Continued)

	As of December 31, 2009		
	Loans Held for Sale— Measured at Fair Value	Loans Held for Sale— Measured at LOCOM	Total Loans Held For Sale
Aggregate unpaid principal balance	\$ 91,824	\$ 3,217	\$ 95,041
Difference between fair value and aggregate unpaid principal balance	412	—	412
Lower of cost or market valuation allowance	—	(1,848)	(1,848)
Deferred loan fees, net of costs	—	(9)	(9)
Loans held for sale	<u>\$ 92,236</u>	<u>\$ 1,360</u>	<u>\$ 93,596</u>

During the three months ended March 31, 2010 and 2009, the change in fair value of loans held for sale for which the fair value option has been elected was a gain of \$2.0 million and a loss of \$0.4 million, respectively, and is included as a component of LendingTree Loans revenue in the accompanying consolidated statements of operations.

## NOTE 10—ORIGINATION AND SALE OF LOANS, LOANS HELD FOR SALE AND LOAN LOSS OBLIGATIONS

## Origination and Sale of Loans

LendingTree Loans' revenues are primarily derived from the origination and sale of loans. Mortgage loans are funded through warehouse lines of credit and are recorded at fair value. Changes in the fair value of mortgage loans are recorded through revenue prior to the sale of the loans to investors, which typically occurs within thirty days. The gain or loss on the sale of loans is recognized on the date the loans are sold and is based on the difference between the sale proceeds received and the fair value of the loans. The Company sells its loans on a servicing released basis in which the Company gives up the right to service the loans.

A summary of the initial unpaid principal balance of loans sold by type of loan for the three months ended March 31, 2010 and 2009 is presented below (\$ amounts in millions):

	Three Months Ended March 31,			
	2010		2009	
	Amount	%	Amount	%
Conforming	\$ 460	77%	\$ 636	89%
FHA and Alt-A	110	18%	77	11%
Jumbo	32	5%	3	—%
<b>Total</b>	<u>\$ 602</u>	<u>100%</u>	<u>\$ 716</u>	<u>100%</u>

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 10—ORIGINATION AND SALE OF LOANS, LOANS HELD FOR SALE AND LOAN LOSS OBLIGATIONS (Continued)

## Loans Held for Sale

LendingTree Loans originates all of its residential real estate loans with the intent to sell them in the secondary market. Loans held for sale consist primarily of residential first mortgage loans that are secured by residential real estate throughout the United States.

The following table represents the loans held for sale by type of loan as of March 31, 2010 and December 31, 2009 (\$ amounts in thousands):

	March 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Conforming	\$ 71,299	71%	\$ 72,670	77%
FHA and Alt-A	24,052	24%	16,596	18%
Jumbo	4,595	4%	3,486	4%
Subprime	656	1%	720	1%
Home equity	114	—%	124	—%
<b>Total</b>	<b>\$ 100,716</b>	<b>100%</b>	<b>\$ 93,596</b>	<b>100%</b>

The unpaid principal amount of loans on nonaccrual status at March 31, 2010 and December 31, 2009 was \$4.4 million and \$4.5 million, respectively. These loans have a net book value (net of lower of cost or market valuation allowances and fair value adjustments) of \$2.0 million and \$2.1 million at March 31, 2010 and December 31, 2009, respectively. Included within the loans on nonaccrual status are repurchased loans with a net book value of \$0.6 million and \$0.7 million at March 31, 2010 and December 31, 2009, respectively. During the three months ended March 31, 2010 and 2009, LendingTree Loans did not repurchase any loans.

Real estate properties acquired in satisfaction of loans totaled \$0.6 million and \$0.9 million, net of estimated selling expenses, at March 31, 2010 and December 31, 2009, respectively, and are included in prepaid and other current assets in the accompanying consolidated balance sheets.

## Loan Loss Obligations

LendingTree Loans sells loans it originates to investors on a servicing released basis so the risk of loss or default by the borrower is generally transferred to the investor. However, LendingTree Loans is required by these investors to make certain representations relating to credit information, loan documentation and collateral. These representations and warranties may extend through the contractual life of the mortgage loan. Subsequent to the sale, if underwriting deficiencies, borrower fraud or documentation defects are discovered in individual mortgage loans, LendingTree Loans may be obligated to repurchase the respective mortgage 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, which occurs when a borrower prepays a loan prior to the end of a specified period, LendingTree Loans may be required to repay all or a portion of the premium initially paid by the investor. The estimated obligation associated with early loan payoffs is calculated based on historical loss experience by type of loan.

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 10—ORIGINATION AND SALE OF LOANS, LOANS HELD FOR SALE AND LOAN LOSS OBLIGATIONS (Continued)

The obligation for losses related to the representations and warranties and other provisions discussed above is initially recorded at its estimated fair value, which includes a projection of expected future losses as well as a market based premium. Because LendingTree Loans does not service the loans it sells, it does not maintain nor have access to the current balances and loan performance data with respect to the individual loans previously sold to investors. Accordingly, the Company is unable to determine, with precision, its maximum exposure under its representations and warranties. However, LendingTree Loans utilizes the original loan balance (before it was sold to an investor), historical and projected loss frequency and loss severity ratios by loan type as well as analyses of losses in process to estimate its exposure to losses on loans previously sold. The Company maintains a liability related to this exposure based, in part, on historical and projected loss frequency and loss severity using its loan loss history (adjusted for recent trends in loan loss experience), the original principal amount of the loans previously sold, the year the loans were sold, and loan type. Accordingly, subsequent adjustments to the obligation, if any, are not made based on changes in the fair value of the obligation, which might include an estimated change in losses that may be expected in the future, but are made once further losses are estimated to be both probable and estimable. As such, given current general industry trends in mortgage loans as well as housing prices, market expectations around losses related to the Company's obligations could vary significantly from the obligation recorded as of the balance sheet date or the range estimated below. In estimating its exposure to loan losses, LendingTree Loans categorizes its loan sales into four types based on the extent of the documentation provided by the borrower to substantiate income and/or assets (full or limited documentation) and the lien position of the mortgage in the underlying property (first or second position). Each of these loan types has a different loss experience with full documentation, first lien position loans generally having the lowest loss ratios and limited documentation, second lien position loans generally having the highest loss ratios.

The following table represents the loans sold for the period shown and the aggregate loan losses through March 31, 2010:

Period of Loan Sales	As of March 31, 2010				
	Number of loans sold	Original principal balance (in billions)	Number of loans with losses	Original principal balance of loans with losses (in millions)	Amount of aggregate losses (in millions)
Three months ended March 31, 2010	2,700	\$ 0.6	—	\$ —	\$ —
2009	12,800	2.8	2	0.6	0.1
2008	11,000	2.2	13	2.5	0.3
2007	36,300	6.1	121	14.9	4.5
2006	55,000	7.9	171	19.3	10.1
2005 and prior years	86,700	13.0	81	10.8	4.1
<b>Total</b>	<b>204,500</b>	<b>\$ 32.6</b>	<b>388</b>	<b>\$ 48.1</b>	<b>\$ 19.1</b>

The pipeline of 104 loan repurchase requests and indemnifications as of March 31, 2010 was considered in determining the appropriate reserve amount. The status of these 104 loans varied from an initial review stage, which may result in a rescission of the request, to in process, where the probability of incurring a loss is high, to indemnification, whereby the Company has agreed to

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 10—ORIGINATION AND SALE OF LOANS, LOANS HELD FOR SALE AND LOAN LOSS OBLIGATIONS (Continued)

reimburse the purchaser of that loan if and when losses are incurred. The indemnification may have a specific term, thereby limiting the Company's exposure. The original principal amount of these loans is approximately \$16.5 million, comprised of approximately 51% full documentation first liens, 4% full documentation second liens, 31% low documentation first liens, and 14% low documentation second liens.

In the fourth quarter of 2009, LendingTree Loans entered into settlement negotiations with two buyers of previously purchased limited documentation loans. The settlement with one buyer was completed in December 2009 and included a payment of \$1.9 million related to all second lien loans sold to this buyer, including both full and limited documentation. This amount was not determined on an individual loan basis and is, therefore, not included in the loss amounts disclosed above based on the year such loans were sold. The settlement was included as a charge off to the reserve in 2009. Negotiations with the second buyer were completed in January 2010. This settlement of \$4.5 million, to be paid in four equal quarterly installments in 2010, relates to all future losses on limited documentation second lien loans on loans sold to this buyer. This settlement amount was included as a charge off to the reserve in January 2010 and is not included in the table above.

Based on historical experience, it is anticipated that the Company will continue to receive repurchase requests and incur losses on loans sold in prior years. However, the two settlements discussed above will eliminate future repurchase requests from those buyers for the loan types included in those settlements. As of March 31, 2010 LendingTree Loans estimated the range of remaining possible losses due to representations and warranty issues based on the methodology described above, excluding the \$3.5 million settlement remaining to be paid in 2010, as \$10 million to \$17 million. The Company believes that it has adequately reserved for these losses.

The activity related to loss reserves on previously sold loans for the three months ended March 31, 2010 and 2009, is as follows (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Balance, beginning of period	\$ 16,985	\$ 10,451
Provisions	1,464	358
Charge offs to reserves(a)	(5,617)	(977)
Balance, end of period	<u>\$ 12,832</u>	<u>\$ 9,832</u>

- (a) The three months ended March 31, 2010 includes a charge off for the amount of the \$4.5 million loan loss settlement discussed above. This settlement is now a known liability, and as such, the remaining settlement payments due of \$3.5 million are tracked as a liability separate from the loan loss reserve (see table below).

Based on an analysis of the Company's historical loan loss experience, it has been determined that a portion of the loan losses expected to be made by investors will be made more than twelve months following the initial sale of the underlying loan. Accordingly, the Company has estimated the portion of its loans sold reserve that it anticipates it will be liable for after twelve months and has classified that

**TREE.COM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 10—ORIGINATION AND SALE OF LOANS, LOANS HELD FOR SALE AND LOAN LOSS OBLIGATIONS (Continued)**

portion of the reserve as a long-term liability. The liability for losses on previously sold loans, including the remaining portion of the settlement discussed above, is presented in the accompanying consolidated balance sheet as of March 31, 2010 and December 31, 2009 as follows (in thousands):

	<u>As of March 31,</u> <u>2010</u>	<u>As of December 31,</u> <u>2009</u>
Current portion related to settlement above, included in accrued expenses and other current liabilities	\$ 3,450	\$ 4,500
Other current portion, included in accrued expenses and other current liabilities	6,254	6,115
Long term portion, included in other long-term liabilities	6,578	6,370
Total	<u>\$ 16,282</u>	<u>\$ 16,985</u>

**NOTE 11—INCOME TAXES**

For the three months ended March 31, 2010 and 2009, Tree.com recorded a tax (provision) benefit of \$(0.6) million and \$0.1 million, respectively, which represents effective tax rates of 11.7% and (2.7%), respectively. For the three months ended March 31, 2010, the tax rate is lower than the federal statutory rate of 35% mainly due to an increase in the valuation allowance on deferred tax assets and an increase to the uncertainty for income taxes reserve. For the three months ended March 31, 2009, there was an increase in the valuation allowance that caused the tax rate to be lower than the federal statutory rate.

Tree.com's unrecognized tax benefits decreased by approximately \$0.6 million in the first quarter. The decrease was due to obtaining audit protection of filing a change of accounting method for a prior year tax position. Tree.com believes that it is reasonably possible that its unrecognized tax benefits could decrease by approximately \$0.5 million within twelve months of the current reporting date due to the expiration of statute of limitations. An estimate of other changes in unrecognized tax benefits cannot be made, but are not expected to be significant.

For the three months ended March 31, 2010, Tree.com determined that its valuation allowance yielded an unusual effective tax rate; therefore, Tree.com utilized the actual year to date effective tax rate for purposes of determining year to date tax expense. For the three months ended March 31, 2009, Tree.com used an ASC 740-270-30 approach to calculate an estimated annual effective tax rate for the tax provision.

**NOTE 12—CONTINGENCIES**

During the three months ended March 31, 2010 and 2009, provisions for litigation settlements of \$-0- million, \$0.4 million, respectively, were recorded in litigation settlements and contingencies in the accompanying consolidated statements of operations. The balance of the related liability was \$4.8 million and \$12.8 million at March 31, 2010 and December 31, 2009, respectively. As of March 31,

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 12—CONTINGENCIES (Continued)

2010, \$8.0 million of the initial \$12.8 million liability has been paid with the remaining \$4.8 million to be paid in the second quarter of 2010.

In the ordinary course of business, Tree.com is a party to various lawsuits. Tree.com establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where it believes an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that an unfavorable resolution of claims against Tree.com, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the liquidity, results of operations, or financial condition of Tree.com, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. It is possible that an unfavorable outcome of one or more of these lawsuits could have a material impact on the liquidity, results of operations, or financial condition of Tree.com. Tree.com also evaluates other contingent matters, including tax contingencies, to assess the probability and estimated extent of potential loss.

## NOTE 13—RESTRUCTURING CHARGES

The restructuring charges in 2010 primarily relate to continuing lease obligations on facilities previously used for call center operations, for which management had a plan to exit at December 31, 2009, but the cease-use date did not occur until January 2010. The restructuring charges in 2009 primarily relate to Tree.com's segment reorganizations and aligning the cost structure with future revenue opportunities. Costs that relate to ongoing operations are not part of restructuring charges. Restructuring charges by segment and type are as follows (in thousands):

	For The Three Months Ended March 31, 2010			
	Employee Termination Costs	Continuing Lease Obligations	Asset Write-offs	Total
LendingTree Loans	\$ —	\$ 9	\$ (2)	\$ 7
Exchanges	47	—	93	140
Real Estate	—	—	—	—
Unallocated—corporate	—	2,463	—	2,463
<b>Total</b>	<b>\$ 47</b>	<b>\$ 2,472</b>	<b>\$ 91</b>	<b>\$ 2,610</b>

	For The Three Months Ended March 31, 2009			
	Employee Termination Costs	Continuing Lease Obligations	Asset Write-offs	Total
LendingTree Loans	\$ —	\$ (108)	\$ —	\$ (108)
Exchanges	58	—	—	58
Real Estate	536	73	124	733
Unallocated—corporate	208	(49)	—	159
<b>Total</b>	<b>\$ 802</b>	<b>\$ (84)</b>	<b>\$ 124</b>	<b>\$ 842</b>

## TREE.COM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 13—RESTRUCTURING CHARGES (Continued)

Restructuring charges and spending against liabilities are as follows (in thousands):

	For The Three Months Ended March 31, 2010				
	Employee Termination Costs	Continuing Lease Obligations	Asset Write-offs	Other	Total
Balance, beginning of period	\$ 1,505	\$ 1,043	\$ —	\$ 12	\$ 2,560
Restructuring charges	47	2,472	91	—	2,610
Payments	(1,125)	(362)	2	(12)	(1,497)
Write-offs	—	234	(93)	—	141
Balance, end of period	<u>\$ 427</u>	<u>\$ 3,387</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,814</u>

At March 31, 2010, restructuring liabilities of \$1.4 million are included in accrued expenses and other current liabilities and \$2.5 million are included in other long-term liabilities in the accompanying consolidated balance sheet. At December 31, 2009, restructuring liabilities of \$1.8 million are included in accrued expenses and other current liabilities and \$0.7 million are included in other long-term liabilities in the accompanying consolidated balance sheet. Tree.com does not expect to incur significant additional costs related to the prior restructurings noted above.

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

**Management Overview**

On August 20, 2008, Tree.com, Inc. ("Tree.com") was spun off from its parent company, IAC/InterActiveCorp ("IAC") into a separate publicly traded company. We refer to the separation transaction as the "spin-off." In connection with the spin-off, Tree.com was incorporated as a Delaware corporation in April 2008.

Tree.com is the parent of LendingTree, LLC and the owner of several brands and businesses that provide information, tools, advice, products and services for critical transactions in our customers' lives. Our family of brands includes: LendingTree.com®, GetSmart.com®, RealEstate.com®, DegreeTree.com<sup>SM</sup>, HealthTree.com<sup>SM</sup>, LendingTreeAutos.com, DoneRight.com, and InsuranceTree.com<sup>SM</sup>. Together, these brands serve as an ally for consumers who are looking to comparison shop for loans, real estate and other services from multiple businesses and professionals who will compete for their business.

These businesses and brands are operated under the segments known as LendingTree Loans, the Exchanges and Real Estate. Additionally, certain shared indirect costs that are described below are reported as "Unallocated—Corporate."

The expenses presented below for each of the business segments include an allocation of certain corporate expenses that are identifiable and directly benefit those segments. The unallocated expenses are those corporate overhead expenses that are not directly attributable to a segment and include: corporate expenses such as finance, legal, executive, technology support, and human resources, as well as elimination of inter-segment revenue and costs.

The LendingTree Loans segment originates, processes, approves and funds various residential real estate loans through Home Loan Center, Inc. ("HLC"), (d/b/a LendingTree Loans). The HLC and LendingTree Loans brand names are collectively referred to in these consolidated financial statements as "LendingTree Loans."

The Exchanges segment consists of online lead generation networks and call centers (principally LendingTree.com, Tree.com, DegreeTree.com, LendingTreeAutos.com and GetSmart.com) that connect consumers and service providers principally in the lending, higher education and automobile marketplaces.

The Real Estate segment consists of a proprietary full-service real estate brokerage (RealEstate.com, REALTORS®) that operates in 20 U.S. markets, as well as an online lead generation network accessed at [www.RealEstate.com](http://www.RealEstate.com), that connects consumers with third party real estate brokerages around the country.

**Results of operations for the three months ended March 31, 2010 compared to the three months ended March 31, 2009:****Revenue**

	<b>Three Months Ended March 31,</b>		
	<b>2010</b>	<b>% Change</b>	<b>2009</b>
<b>(Dollars in thousands)</b>			
<b>LendingTree Loans:</b>			
Origination and sale of loans	\$ 23,400	(29)%	\$ 32,764
Other	2,338	45%	1,608
<b>Total LendingTree Loans</b>	<b>25,738</b>	<b>(25)%</b>	<b>34,372</b>
<b>Exchanges:</b>			
Match fees	14,166	42%	9,966
Closed loan fees	3,327	(48)%	6,430
Other	881	20%	733
Inter-segment revenue	7,677	296%	1,938
<b>Total Exchanges</b>	<b>26,051</b>	<b>37%</b>	<b>19,067</b>
Real Estate	3,899	(32)%	5,759
Inter-segment revenue	(7,677)	296%	(1,938)
<b>Total revenue</b>	<b>48,011</b>	<b>(16)%</b>	<b>\$ 57,260</b>

LendingTree Loans revenue in 2010 decreased \$8.6 million, or 25%, from the same period in 2009. Revenue generated from the origination and sale of loans decreased \$9.4 million, or 29%. The total dollar value of loans closed declined by 15% during 2010, even though the number of consumer loan requests increased by 20% in the same period. The resulting decrease in loan closing rates was primarily driven by tight secondary credit markets that are unable to serve many consumers who do not have sufficient collateral value or are not eligible for conforming prime first-lien position loans.

The dollar value of loans closed directly by LendingTree Loans is as follows:

	<b>Three Months Ended</b>		
	<b>March 31,</b>		
	<b>2010</b>	<b>% Change</b>	<b>2009</b>
<b>(Dollars in thousands)</b>			
Refinance mortgages	\$ 552	(15)%	\$ 647
Purchase mortgages	56	(17)%	68
<b>Total</b>	<b>\$ 608</b>	<b>(15)%</b>	<b>\$ 715</b>

LendingTree Loans originates mortgage loans on property located throughout the United States, with no one location representing more than 10% of Tree.com's consolidated revenue for any period presented. Revenue from loans originated for property in California totaled approximately 14% and 12% of Tree.com's consolidated revenue for the three months ended March 31, 2010 and 2009, respectively.

Revenue from the Exchanges in 2010 increased \$7.0 million, or 37%, due primarily to an increase in inter-segment revenue from sales of consumer mortgage leads to LendingTree Loans, reflecting both an expansion of consumer volume LendingTree Loans takes to include direct consumer calls and a higher transfer price due to increased marketing costs to acquire leads. Overall matched requests in the first quarter of 2010 declined 8% from the same period in 2009, which reflects a decline of 39% in home loan matches and an increase of 180% in matches for the new consumer vertical areas of higher education, home services and insurance. Home loan matches were down because in the first quarter of

2009, the Federal Reserve cut interest rates five times, which stimulated significant consumer demand for home loans on our network. Matches in new consumer verticals have grown as a result of both seasonality and increased marketing spending. The overall impact on match fees was an increase of 42%, reflecting a shift in pricing on home loan related matches to increase the average match fee (and decrease the average close loan fee), Also impacting the revenue from closed loan fees was a 36% decline in closed units in the period as a result of the decline in matched loan requests.

The dollar value of loans closed by Exchange network lenders is as follows:

	Three Months Ended March 31,		
	2010	% Change	2009
	(Dollars in millions)		
Refinance mortgages	\$ 1,034	(48)%	\$ 2,007
Purchase mortgages	563	22%	461
Other	66	(58)%	157
Total	<u>\$ 1,663</u>	<u>(37)%</u>	<u>\$ 2,625</u>

No single Exchange network lender accounts for revenue representing more than 10% of Tree.com's consolidated revenue for any periods presented.

Real Estate revenue in 2010 decreased \$1.9 million, or 32%, principally due to a decrease in closings due to the persistent negative real estate market conditions contributing to lower home sales prices and fewer real estate transactions overall. In addition, the Company consolidated three office locations in the fourth quarter of 2009, which resulted in lower agent count and transactions. The dollar value of the Company's real estate closings decreased 42% in 2010, from \$281 million in 2009 to \$165 million in 2010.

### *Cost of revenue*

	Three Months Ended March 31,		
	2010	% Change	2009
	(Dollars in thousands)		
LendingTree Loans	\$ 10,154	(14)%	\$ 11,856
Exchanges	1,128	(40)%	1,891
Real Estate	2,455	(36)%	3,864
Unallocated—corporate	324	(44)%	576
Cost of revenue	<u>\$ 14,061</u>	<u>(23)%</u>	<u>\$ 18,187</u>
As a percentage of total revenue	29%		32%

<u>As a Percentage of Segment Revenue</u>	Three Months Ended March 31,	
	2010	2009
LendingTree Loans	39%	34%
Exchanges	4%	10%
Real Estate	63%	67%
Unallocated—corporate, as a percentage of total revenue	1%	1%

Cost of revenue consists primarily of costs associated with loan originations, compensation and other employee related costs (including stock-based compensation) related to customer call centers, real estate network support staff and loan officers, as well as credit scoring fees, consumer incentive costs, real estate agent commissions and website network hosting and server fees.

Cost of revenue in 2010 decreased \$4.1 million from 2009 primarily due to decreases of \$1.8 million in costs associated with loan originations at LendingTree Loans, \$1.0 million in compensation and other employee related costs, \$0.8 million in consumer incentive rebates related to decreased closings at the Exchanges and in Real Estate, and \$0.7 million in commissions paid to real estate agents. The decreases in the cost of loan originations and in compensation and other employee related costs are primarily due to lower originations and sales of loans and lower commissions to loan officers, as the dollar value of loans closed directly by LendingTree Loans decreased 15% in 2010 as compared to 2009.

### *Selling and marketing expense*

	<b>Three Months Ended March 31,</b>		
	<b>2010</b>	<b>% Change</b>	<b>2009</b>
	(Dollars in thousands)		
LendingTree Loans	\$ 7,998	278%	\$ 2,114
Exchanges	19,085	59%	11,968
Real Estate	689	(59)%	1,678
Inter-segment marketing	(7,626)	294%	(1,938)
Selling and marketing expense	<u>\$ 20,146</u>	<u>46%</u>	<u>\$ 13,822</u>
As a percentage of total revenue	42%		24%

<u>As a Percentage of Segment Revenue</u>	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
LendingTree Loans	31%	6%
Exchanges	73%	63%
Real Estate	18%	29%

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 the sales function. 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.

Advertising for the Exchanges is primarily the building and maintaining of the Company's core brands, using both online and offline spending, and generates leads not only for the Exchanges but for our other segments as well. Marketing expense for LendingTree Loans is primarily comprised of inter-segment purchases of leads from the Exchanges, leveraging the LendingTree and GetSmart brands. The remainder of the expense is comprised of lead purchases from third parties. Advertising for Real Estate primarily consists of lead generation through online spending, as well as lead purchases from the Exchanges.

Overall selling and marketing expense in 2010 increased \$6.3 million from 2009 primarily due to an increase of \$6.0 million in advertising and promotional expenditures. In 2010, Tree.com increased its online marketing advertising by \$5.5 million, from \$7.6 million in 2009 to \$13.1 million in 2010, while broadcast advertising remained flat at \$3.9 million in both 2010 and 2009. Additionally, print advertising increased \$0.9 million from 2009 primarily due to the costs associated with the production of a referral book for home services professionals within the DoneRight® brand.

The overall increase from 2009 in both dollars and as a percentage of revenue is due to several factors. In the first quarter of 2009, the Exchanges was able to decrease advertising spending as it experienced naturally higher consumer demand that was driven by the lower mortgage interest rate

environment and improvements in organic traffic. Also, LendingTree Loans received "overflow" leads during the early part of 2009 from a partner that received more leads than its capacity could handle. Moving into the first quarter of 2010, while overall mortgage interest rates remained low, there was not the significant and swift decline in rates that was seen in the first quarter of 2009 that captured the attention of the consumer, so the Exchanges responded by increasing advertising spending by 59% and generated a slightly lower quantity of matched requests (an 8% decrease from 2009). This returned the marketing expense as a percentage of revenue to a more normalized level of 42% in 2010. This increase also directly impacts the cost per lead acquired for LendingTree Loans, which is reflected in the increase in marketing expense for that segment in the table above.

Tree.com anticipates that it will continue to adjust selling and marketing expenditures generally in relation to revenue producing opportunities and that selling and marketing will continue to represent a high percentage of revenue as it continues to promote its brands both online and offline.

#### **General and administrative expense**

	<b>Three Months Ended March 31,</b>		
	<b>2010</b>	<b>% Change</b>	<b>2009</b>
	<b>(Dollars in thousands)</b>		
LendingTree Loans	\$ 4,816	(3)%	\$ 4,974
Exchanges	1,593	(43)%	2,784
Real Estate	1,541	(43)%	2,699
Unallocated—corporate	4,752	(19)%	5,842
<b>General and administrative expense</b>	<b>\$ 12,702</b>	<b>(22)%</b>	<b>\$ 16,299</b>
As a percentage of total revenue	26%		28%

<u>As a Percentage of Segment Revenue</u>	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
LendingTree Loans	19%	14%
Exchanges	6%	15%
Real Estate	40%	47%
Unallocated—corporate, as a percentage of total revenue	10%	10%

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.

General and administrative expense in 2010 decreased across all segments by \$3.6 million from 2009. These decreases reflect a \$2.8 million reduction in compensation and other employee related costs, excluding non-cash compensation, as a result of prior restructuring activities. Other significant decreases during 2010 include \$0.6 million in loss on disposal of fixed assets and \$0.2 million in facilities costs due to lower headcount and occupying fewer facilities.

General and administrative expense within the LendingTree Loans segment declined \$0.2 million primarily due to decreases of \$0.6 million in compensation and other employee related costs (excluding non-cash compensation) due to lower headcount, partially offset by a \$0.2 million increase in professional fees.

General and administrative expense within the Exchanges segment decreased \$1.2 million primarily due to decreases of \$0.6 million in compensation and other employee related costs (excluding non-cash compensation) and \$0.6 million in loss on disposal of fixed assets.

General and administrative expense within the Real Estate segment decreased \$1.2 million primarily due to a decrease of \$0.9 million in compensation and other employee related costs (excluding non-cash compensation) as a result of prior restructuring activities.

General and administrative expense within the Unallocated—corporate segment decreased \$1.1 million primarily due to a decrease of \$0.7 million in compensation and other employee related costs (excluding non-cash compensation) as a result of prior restructuring activities.

### ***Product development***

	<b>Three Months Ended March 31,</b>		
	<b>2010</b>	<b>% Change</b>	<b>2009</b>
	(Dollars in thousands)		
LendingTree Loans	\$ 131	(13)%	\$ 150
Exchanges	882	40%	632
Real Estate	168	(69)%	534
Unallocated—corporate	185	(37)%	292
Product development	<u>\$ 1,366</u>	<u>(15)%</u>	<u>\$ 1,608</u>
As a percentage of total revenue	3%		3%

<u>As a Percentage of Segment Revenue</u>	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
LendingTree Loans	1%	—%
Exchanges	3%	3%
Real Estate	4%	9%
Unallocated—corporate, as a percentage of total revenue	—%	1%

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

Product development expense in 2010 decreased \$0.2 million from 2009, due to decreased compensation and other employee related costs.

### ***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". For a

reconciliation of Adjusted EBITDA to net loss for Tree.com's operating segments, see Note 7 to the consolidated financial statements.

	Three Months Ended March 31,		
	2010	% Change	2009
	(Dollars in thousands)		
LendingTree Loans	\$ 2,770	(82)%	\$ 15,347
Exchanges	3,696	45%	2,543
Real Estate	(898)	69%	(2,918)
Unallocated—corporate	(4,734)	19%	(5,813)
Adjusted EBITDA	<u>\$ 834</u>	<u>(91)%</u>	<u>\$ 9,159</u>
As a percentage of total revenue	2%		16%

<u>As a Percentage of Segment Revenue</u>	Three Months Ended March 31,	
	2010	2009
LendingTree Loans	11%	45%
Exchanges	14%	13%
Real Estate	(23)%	(51)%
Unallocated—corporate, as a percentage of total revenue	(10)%	(10)%

Adjusted EBITDA in 2010 decreased \$8.3 million to \$0.8 million, reflecting a decrease in revenue at LendingTree Loans as described above.

### *Operating income (loss)*

	Three Months Ended March 31,		
	2010	% Change	2009
	(Dollars in thousands)		
LendingTree Loans	\$ 2,126	(85)%	\$ 14,166
Exchanges	2,609	76%	1,478
Real Estate	(1,924)	63%	(5,177)
Unallocated—corporate	(8,153)	(12)%	(7,287)
Operating income (loss)	<u>\$ (5,342)</u>	<u>NM</u>	<u>\$ 3,180</u>
As a percentage of total revenue	(11)%		6%

<u>As a Percentage of Segment Revenue</u>	Three Months Ended March 31,	
	2010	2009
LendingTree Loans	8%	41%
Exchanges	10%	8%
Real Estate	(49)%	(90)%
Unallocated—corporate, as a percentage of total revenue	(17)%	(13)%

Operating income in 2010 decreased \$8.5 million from 2009 resulting primarily from the issues discussed above and an increase of \$1.8 million in restructuring charges. In the first quarter of 2010, the Company recorded \$2.6 million of previously disclosed restructuring charges that primarily relate to continuing lease obligations on facilities previously used for call center operations, for which management had a plan to exit at December 31, 2009, but the cease-use date did not occur before the end of 2009.

### *Income tax provision*

For the three months ended March 31, 2010 and 2009, Tree.com recorded a tax (provision) benefit of \$(0.6) million and \$0.1 million, respectively, which represents effective tax rates of 11.7% and (2.7%), respectively. For the three months ended March 31, 2010, the tax rate is lower than the federal statutory rate of 35% mainly due to an increase in the valuation allowance on deferred tax assets and an increase to the uncertainty for income taxes reserve. For the three months ended March 31, 2009, there was an increase in the valuation allowance that caused the tax rate to be lower than the federal statutory rate.

## **FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2010, Tree.com had \$85.2 million of cash and cash equivalents and restricted cash and cash equivalents.

Net cash used in operating activities was \$15.1 million in the three months ended March 31, 2010, compared to net cash provided of \$11.2 million in the same period in 2009. In addition to the decrease in net income in 2010, this net \$26.3 million decrease in cash provided from operations was caused by a \$10.9 million decrease in accounts payable and other current liabilities, principally litigation related payments of \$8.0 million that were made in 2010. Additionally, the amount of net cash proceeds from the origination and sale of loans decreased \$7.3 million, which can fluctuate based on the timing of loan originations and sales.

Net cash used in investing activities in the three months ended March 31, 2010 of \$1.2 million primarily resulted from capital expenditures of \$1.6 million, offset by the release of restricted cash of \$0.4 million. Net cash used in investing activities in the three months ended March 31, 2009 of \$1.1 million primarily resulted from an acquisition of \$1.0 million and capital expenditures of \$0.6 million.

Net cash provided by financing activities in the three months ended March 31, 2010 of \$3.2 million was primarily due to net borrowings under warehouse lines of credit of \$5.0 million, less purchases of treasury stock and increases in restricted cash. Net cash used in financing activities in the three months ended March 31, 2009 of \$2.3 million was primarily due to net repayments under warehouse lines of credit of \$4.0 million, offset by proceeds from the sale of common stock of \$1.9 million.

As of March 31, 2010, LendingTree Loans had three committed lines of credit totaling \$165 million of borrowing capacity. Borrowings under these lines of credit are used to fund, and are secured by, consumer residential loans that are held for sale. Loans under these lines of credit are repaid using proceeds from the sales of loans held for sale by LendingTree Loans. At March 31, 2010, there was \$83.5 million outstanding under the committed lines of credit.

The \$40.0 million first line is with a lender that is exiting the warehouse lending business, and it expires on June 30, 2010. No advances under the warehouse line may be requested or funded after May 31, 2010. The interest rate under this line is LIBOR plus 3.00%. We do not expect this line to be renewed after June 30, 2010. The Company has anticipated that decision and has factored it into the future liquidity needs.

The \$50.0 million second line was scheduled to expire on April 30, 2010, but has been extended to June 29, 2010 and can be cancelled at the option of the lender without default upon sixty days notice. This second line includes an additional uncommitted credit facility of \$75 million. This second line is also guaranteed by Tree.com, Inc., Lending Tree, LLC and Lending Tree Holdings Corp. The interest rate under the second line is 2.25% plus the greater of (a) the 30-day LIBOR or (b) 2.00%. The interest rate under the \$75 million uncommitted line is 30-day LIBOR plus 1.50%. LendingTree Loans is also required to sell at least 25% of the loans it originates to an affiliate of the lender under this line or pay a "pair-off fee" of 0.25% on the difference between the required and actual volume of loans sold.

The \$75.0 million third line is scheduled to expire on October 29, 2010. The interest rate under this line is 30-day LIBOR or 2.0% (whichever is greater) plus 2.50% for loans being sold to the lender and 30-day LIBOR or 2.0% (whichever is greater) plus 2.75% for loans not being sold to the lender.

Under the terms of these warehouse lines, LendingTree Loans is required to maintain various financial and other covenants. These financial covenants include, but are not limited to, maintaining (i) minimum tangible net worth of \$45.0 million, (ii) minimum liquidity, (iii) a minimum current ratio, (iv) a maximum ratio of total liabilities to net worth, (v) a maximum leverage ratio and (vi) pre-tax net income requirements. During the quarter ended March 31, 2010, LendingTree Loans was in compliance with the covenants under the lines.

The LendingTree Loans business is highly dependent on the availability of these warehouse lines. Although we believe that our existing lines of credit are adequate for our current operations, reductions in our available credit, or the inability to renew or replace these lines, would have a material adverse effect on our business, financial condition and results of operations. Management has determined that it could continue to operate the LendingTree Loans business, at a reduced capacity, if two but not all three of the warehouse lines were lost. We expect to renew the lines that are expiring on June 29, 2010 and October 29, 2010.

Tree.com anticipates that it will need to make capital and other expenditures in connection with the development and expansion of its overall operations.

In connection with the completion of the spin-off, intercompany payable balances with IAC were extinguished and IAC transferred to Tree.com an amount of cash that was sufficient for its initial capitalization. Tree.com has considered its anticipated operating cash flows in 2010, cash and cash equivalents, current capacity under its warehouse lines of credit and access to capital markets, subject to restrictions in the tax sharing agreement, and believes that these are sufficient to fund its operating needs, including debt requirements, commitments, contingencies, capital and investing commitments for the foreseeable future.

### CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Contractual Obligations as of March 31, 2010	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands)				
Short-term borrowings(a)	\$ 83,498	\$ 83,498	\$ —	\$ —	\$ —
Purchase obligations(b)	2,077	2,077	—	—	—
Loan loss settlement obligations(c)	3,450	3,450	—	—	—
Litigation settlement(d)	4,750	4,750	—	—	—
Preferred stock liquidation value and accreted interest(e)	8,000	—	—	8,000	—
Operating leases	21,142	4,793	8,310	7,260	779
<b>Total contractual cash obligations</b>	<b>\$ 122,917</b>	<b>\$ 98,568</b>	<b>\$ 8,310</b>	<b>\$ 15,260</b>	<b>\$ 779</b>

(a) The short-term borrowings are the Company's warehouse lines of credit that are used exclusively for funding loans held for sale. These borrowings are collateralized by and are repaid from proceeds from selling the loans held for sale. Interest on these borrowings as of March 31, 2010 is not significant.

(b) The purchase obligations primarily relate to marketing event contracts in 2010.

- (c) In the fourth quarter of 2009, LendingTree Loans completed settlement negotiations with a buyer of previously purchased stated income second lien position loans. The settlement provides for fixed payments to be made in 2010 by LendingTree Loans as full settlement of all future losses with this investor related to this type of loans.
- (d) The litigation settlement obligation, as more fully described in a Form 8-K dated January 5, 2010, is the amount due to be paid by Tree.com, Inc., to Source Search Technologies, LLC ("SST"). Under the terms of the settlement agreement, SST granted LendingTree, LLC (a wholly owned subsidiary of Tree.com) a fully paid-up, irrevocable, worldwide, royalty-free and non-exclusive license under the SST patent and LendingTree will pay SST \$9.5 million (\$4.75 million was paid in the first quarter of 2010 and the remaining \$4.75 million is payable in the second quarter of 2010).
- (e) The preferred stock obligation represents the obligation the Company has to redeem at maturity the 5,000 shares of preferred stock which the Company's CEO was granted in LendingTree Holdings Corp., a subsidiary of Tree.com at the time of the spin-off from IAC. The shares earn dividends at 12%, vest over 3 years, and have a liquidation preference of \$5.0 million.

### Seasonality

LendingTree Loans, Exchanges and Real Estate revenue is subject to the cyclical and seasonal trends of the U.S. housing market. Home sales typically rise during the spring and summer months and decline during the fall and winter months. Refinancing and home equity activity is principally driven by mortgage interest rates as well as real estate values. The broader cyclical trends in the mortgage and real estate markets have upset the usual seasonal trends.

### New Accounting Pronouncements

Refer to Note 2 to the consolidated financial statements for a description of recent accounting pronouncements.

## TREE.COM'S PRINCIPLES OF FINANCIAL REPORTING

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

### Definition of Tree.com's Non-GAAP Measures

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

## **Pro Forma Results**

Tree.com will only present EBITDA and Adjusted EBITDA on a pro forma basis if it views a particular transaction as significant in size or transformational in nature. For the periods presented in this report, there are no transactions that Tree.com has included on a pro forma basis.

## **One-Time Items**

EBITDA and Adjusted EBITDA are presented before one-time items, if applicable. These items are truly one-time in nature and 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 one-time items.

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

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

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

## **RECONCILIATION OF EBITDA**

For a reconciliation of EBITDA and Adjusted EBITDA to net loss for Tree.com's operating segments for the three months ended March 31, 2010 and 2009, see Note 7 to the consolidated financial statements.

## **OTHER**

REALTORS®—a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics.

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

#### **Interest Rate Risk**

Tree.com's exposure to market rate risk for changes in interest rates relates primarily to LendingTree Loans' loans held for sale and interest rate lock commitments.

#### **Loans Held for Sale and Interest Rate Lock Commitments**

LendingTree Loans' mortgage banking operations expose the Company to interest rate risk for loans originated until those loans are sold in the secondary market ("loans held for sale"). The fair value of loans held for sale is subject to change primarily due to changes in market interest rates. LendingTree Loans hedges the changes in fair value of certain loans held for sale primarily by entering into mortgage forward delivery contracts. The changes in fair value of the derivative instruments are recognized in current earnings as a component of revenue.

In addition, LendingTree Loans provides interest rate lock commitments ("IRLCs") to fund mortgage loans at interest rates previously agreed upon with the borrower for specified periods of time, which also expose it to interest rate risk. IRLCs are considered derivative instruments and, therefore, are recorded at fair value, with changes in fair value reflected in current period earnings. To manage the interest rate risk associated with the IRLCs, the Company uses derivative instruments, including mortgage forward delivery contracts.

The net change in the fair value of the IRLCs and related forward delivery contracts, including the impact of day one gains and servicing value, for the three months ended March 31, 2010 and 2009 resulted in gains of \$19.3 million and \$28.3 million, respectively, which have been recognized as a component of revenue.

The fair values of derivative financial instruments at LendingTree Loans are impacted by movements in market interest rates. Changes in the fair value of the derivative financial instruments would substantially be offset by changes in the fair value of the items for which risk is being mitigated. As of March 31, 2010, if market interest rates had increased by 1.00%, the aggregate fair value of the derivative financial instruments and the hedged items at LendingTree Loans would have decreased by \$0.6 million. As of March 31, 2010, if market interest rates had decreased by 1.00%, the aggregate fair value of the derivative financial instruments and the hedged items at LendingTree Loans would have decreased by \$1.0 million.

#### **Item 4T. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control Over Financial Reporting**

During the Company's first quarter of fiscal 2010, there has been no change in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II OTHER INFORMATION

### Item 1. *Legal Proceedings*

In the ordinary course of business, the Company and its subsidiaries are parties to litigation involving property, contract, intellectual property and other claims. We included a discussion of certain legal proceedings in Part I, Item 3, of our Annual Report on Form 10-K for the year ended December 31, 2009 as amended by our Annual Report on Form 10-K/A (the "2009 Form 10-K") and in our Current Reports on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on January 11, 2010, January 15, 2010 and February 19, 2010 (the "Form 8-Ks"). During the quarter ended March 31, 2010 there were no material developments in connection with the Company's legal proceedings other than as disclosed in our Form 8-Ks or in the 2009 Form 10-K. A summary of the material developments described in our Form 8-Ks is set forth below:

#### Patent Litigation

***Source Search Technologies, LLC v. LendingTree, Inc., et al., No. 04-CV-4420 (U.S. Dist. Ct., D.N.J.)***. On January 5, 2010, our wholly-owned subsidiary, LendingTree, LLC ("LendingTree"), and Source Search Technologies, LLC ("SST") settled their outstanding patent litigation. The lawsuit alleged that certain aspects of LendingTree's operations infringe SST's patent relating to online transactions between buyers and sellers. In connection with the settlement, LendingTree will pay SST a total of \$9.5 million (\$4.75 million was paid in the first quarter of 2010 and the remaining \$4.75 million is payable in the second quarter of 2010), and SST granted LendingTree a fully paid-up, irrevocable, worldwide, royalty-free and non-exclusive license under the patent.

***Block Financial Corp. v. LendingTree, Inc., No. 01-cv-1007 ODS (U.S. Dist. Ct., W.D. Mo.); LendingTree, LLC v. Block Financial LLC, No. 08-cv-164 ODS (U.S. Dist. Ct., W.D. Mo.)***. On February 17, 2010, LendingTree and Block Financial Corporation ("Block") settled their outstanding patent litigation. The lawsuit alleged that LendingTree's loan-matching process infringes U.S. Patent No. 6,014,645 (the "645 Patent"), which generally claims a real-time application system for financial cards, and U.S. Patent No. 7,310,617 (the "617 Patent"), a continuation of the 645 Patent that purports to claim a real-time application system for financial offerings (as opposed to only financial cards). In connection with the settlement, LendingTree paid Block \$3.25 million during the first quarter of 2010, and Block granted LendingTree a fully paid-up, perpetual, irrevocable, non-exclusive, worldwide, right and license under both the 645 Patent and the 617 Patent.

### Item 1A. *Risk Factors*

#### Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "projects," "intends," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: the adequacy of our current warehouse lines for our current operations and our ability to operate our LendingTree Loans business at a reduced capacity if we were to lose two of these lines; our belief that we will continue to adjust selling and marketing expenditures generally in relation to revenue producing opportunities and that our selling and marketing efforts will continue to represent a high percentage of our revenues; our Compensation Committee's belief that placing a greater emphasis on incentive arrangements and equity compensation will result in the Company's executives and employees being paid for performance and will better align their incentives with the Company's strategic goals; our belief that we will need to make capital and other expenditures in connection with the development and expansion of our overall operations; and our belief that our sources of liquidity

are sufficient to fund our operating needs, including debt requirements, commitments and contingencies and capital and investing commitments for the foreseeable future. These forward-looking statements also include statements related to: Tree.com's anticipated financial performance; Tree.com's business prospects and strategy; anticipated trends and prospects in the various industries in which Tree.com 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.

Actual results could differ materially from those contained in the forward looking statements included in this report for a variety of reasons, including, among others, the risk factors set forth below. Other unknown or unpredictable factors that could also adversely affect Tree.com's 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. Tree.com does not undertake to update these forward-looking statements.

Other than the factor set forth below, there have been no material changes to the risk factors included in Part I, Item 1A, of the 2009 Form 10-K.

***Adverse Events and Trends—Adverse conditions in the credit markets could materially and adversely affect our business, financial condition and results of operations.***

The credit markets, in particular those financial institutions that provide warehouse financing and similar arrangements to mortgage lenders, have been experiencing unprecedented and continued disruptions resulting from instability in the mortgage and housing markets. LendingTree Loans originates, processes, approves and funds various consumer mortgage loans through HLC, which operates primarily under the brand name "LendingTree Loans®." These direct lending operations have significant financing needs that are currently being met through borrowings under warehouse lines of credit or repurchase agreements to fund and close loans, followed by the sale of substantially all loans funded to investors in the secondary mortgage markets. Current credit market conditions, such as significantly reduced and limited availability of credit, increased credit risk premiums for certain market participants and increased interest rates generally, increase the cost and reduce the availability of debt and may continue for a prolonged period of time or worsen in the future.

As of March 31, 2010, LendingTree Loans had three committed lines of credit totaling \$165.0 million of borrowing capacity. Borrowings under these lines of credit are used to fund, and are secured by, consumer residential loans that are held for sale. Loans under these lines of credit are repaid using proceeds from the sales of loans held for sale by LendingTree Loans. At March 31, 2010, there was \$83.5 million outstanding under the committed lines of credit.

The \$40.0 million first line is with a lender that is exiting the warehouse lending business, and it expires on June 30, 2010. No advances under the warehouse line may be requested or funded after May 31, 2010. The interest rate under this line is LIBOR plus 3.00%. We do not expect this line to be renewed after June 30, 2010. The Company has anticipated that decision and has factored it into the future liquidity needs.

The \$50.0 million second line was scheduled to expire on April 30, 2010, but has been extended to June 29, 2010 and can be cancelled at the option of the lender without default upon sixty days notice. This second line includes an additional uncommitted credit facility of \$75 million. This second line is also guaranteed by Tree.com, Inc., Lending Tree, LLC and Lending Tree Holdings Corp. The interest rate under the second line is 2.25% plus the greater of (a) the 30-day LIBOR or (b) 2.00%. The interest rate under the \$75 million uncommitted line is 30-day LIBOR plus 1.50%. LendingTree Loans

is also required to sell at least 25% of the loans it originates to an affiliate of the lender under this line or pay a "pair-off fee" of 0.25% on the difference between the required and actual volume of loans sold.

The \$75.0 million third line is scheduled to expire on October 29, 2010. The interest rate under this line is 30-day LIBOR or 2.0% (whichever is greater) plus 2.50% for loans being sold to the lender and 30-day LIBOR or 2.0% (whichever is greater) plus 2.75% for loans not being sold to the lender.

Although we believe that our existing lines of credit are adequate for our current operations, further reductions in our available credit, or the inability to renew or replace these lines, could have an adverse effect on our business, financial condition and results of operations. LendingTree Loans attempts to mitigate the impact of current conditions and future credit market disruptions by maintaining committed and uncommitted warehouse lines of credit with several financial institutions. However, these financial institutions, like all financial institutions, are subject to the same adverse market conditions and may be affected by recent market disruptions, which may affect the decision to reduce or renew these lines or the pricing for these lines. As a result, current committed warehouse lines of credit may be reduced or not renewed, and alternative financing may be unavailable or inadequate to support operations or the cost of such alternative financing may not allow LendingTree Loans to operate at profitable levels. Because LendingTree Loans is highly dependent on the availability of credit to finance its operations, the continuation of current credit market conditions for a prolonged period of time or the worsening of such conditions could have an adverse effect on our business, financial condition and results of operations, particularly over the next few years.

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

The following table provides information about the Company's purchases of equity securities during the quarter ended March 31, 2010.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</u>	<u>Maximum Number/Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands)</u>
01/01/10 - 01/31/10	—	\$ —	—	\$ 10,000
02/01/10 - 02/28/10	34,139	8.25	34,139	9,718
03/01/10 - 03/31/10	44,651	9.31	44,651	9,335
Total	<u>78,790</u>	<u>\$ 8.43</u>	<u>78,790</u>	<u>\$ 9,335</u>

- (1) On January 11, 2010, the Company announced that its Board of Directors approved a stock repurchase program for an amount up to \$10 million. The program authorizes repurchases of common shares in the open market or through privately-negotiated transactions. The Company began this program in February 2010 and expects to use available cash to finance these repurchases and will determine the timing and amount of them based on its 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 the Board of Directors.

The Company did not have any unregistered sales of its equity securities during the three months ended March 31, 2010.

**Item 5. Other Information**

On May 10, 2010, Matthew A. Packey advised the Company that he will resign from his position as Senior Vice President, Chief Financial Officer and Chief Accounting Officer of the Company, effective May 28, 2010. Beginning May 28, 2010, his duties will be divided, as described below. In addition, on May 10, 2010, the Company entered into a Severance Agreement with Mr. Packey pursuant to which he will be paid severance pay for a maximum of seven (7) months (with mitigation and offset provisions in place should he secure other employment) for a maximum payout of \$182,292. Mr. Packey will receive a subsidy for his COBRA benefits for the duration of the period he is eligible for COBRA benefits (not to exceed February 15, 2011) with a maximum subsidy amount of \$11,133. He will also receive a payout for 40 hours of accrued, unused Paid Time Off ("PTO") from 2009 (\$4,808) and a payout for 2010 accrued unused PTO time (maximum 117 hours) at a maximum payout of \$14,062.

On May 28, 2010, the Company will appoint Christopher R. Hayek, age 41, as Senior Vice President and Chief Accounting Officer. As of that date, he will become an executive officer and will serve as the principal financial officer and principal accounting officer of the Company. Mr. Hayek has served as the Company's Vice President and Corporate Controller since joining the Company in August 2005. Prior to joining the Company, Mr. Hayek served as Vice President of Finance at Wachovia Bank and as a Senior Manager at McGladrey & Pullen, LLP. Mr. Hayek is a certified public accountant.

In addition, on May 28, 2010, the Company will appoint Tamara W. Kotronis as Senior Vice President, Financial Planning and Analysis and Investor Relations.

**Item 6. Exhibits**

<u>Exhibit</u>	<u>Description</u>	<u>Location</u>
10.1	Fourth Amendment to Warehousing Credit Agreement, made and entered into as of February 15, 2010 by and among Home Loan Center, Inc. d/b/a Lending Tree Loans, PNC Bank, National Association (successor to National City Bank) and PNC Bank, National Association (successor to National City Bank), in its capacity as Agent for the Banks (as defined therein)	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 19, 2010
10.2	Amendment No. 1 to Stock Purchase Agreement between Tree.com, Inc. and Douglas R. Lebda, dated May 10, 2010	†
10.3	Amendment No. 3 to the Employment Agreement between Douglas R. Lebda and Tree.com, Inc., dated May 10, 2010	†
10.4	Form of Amendment to Restricted Stock Awards for Douglas R. Lebda	†
10.5	Employment Agreement by and between David Norris and LendingTree, LLC, dated June 30, 2008.	†
10.6	Amendment to Employment Agreement between David Norris and Tree.com, Inc., dated December 3, 2009	†
10.7	Amendment No. 2 to Employment Agreement between David Norris and Tree.com, Inc., dated May 10, 2010	†
10.8	Severance Agreement between Greg Hanson, RealEstate.com and Tree.com, dated April 22, 2009	†

<u>Exhibit</u>	<u>Description</u>	<u>Location</u>
10.9	Change in Control Letter from Tree.com, Inc. to Greg Hanson, dated March 26, 2010	†
10.10	Confidential Severance Agreement and Release by and between Robert L. Harris and Tree.com, Inc., dated March 2, 2010	†
10.11	Form of Restricted Stock Award Agreement	†
10.12	Form of Notice of Restricted Stock Unit Award	†
10.13	Form of Notice of Stock Option Award	†
10.14	Amendment No. 1 to Transactions Term Letter, made and entered into as of April 28, 2010 by and between Home Loan Center, Inc. d/b/a LendingTree Loans and Bank of America	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 30, 2010
10.15	Amendment No. 1 to the Stock Option Award Agreement between Douglas R. Lebda and Tree.com, Inc., dated May 10, 2010	†
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.	††

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† Filed herewith

†† Furnished herewith



**EXHIBIT INDEX**

<b>Exhibit</b>	<b>Description</b>	<b>Location</b>
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10.4	Form of Amendment to Restricted Stock Awards for Douglas R. Lebda	†
10.5	Employment Agreement by and between David Norris and LendingTree, LLC, dated June 30, 2008.	†
10.6	Amendment to Employment Agreement between David Norris and Tree.com, Inc., dated December 3, 2009	†
10.7	Amendment No. 2 to Employment Agreement between David Norris and Tree.com, Inc., dated May 10, 2010	†
10.8	Severance Agreement between Greg Hanson, RealEstate.com and Tree.com, dated April 22, 2009	†
10.9	Change in Control Letter from Tree.com, Inc. to Greg Hanson, dated March 26, 2010	†
10.10	Confidential Severance Agreement and Release by and between Robert L. Harris and Tree.com, Inc., dated March 2, 2010	†
10.11	Form of Restricted Stock Award Agreement	†
10.12	Form of Notice of Restricted Stock Unit Award	†
10.13	Form of Notice of Stock Option Award	†
10.14	Amendment No. 1 to Transactions Term Letter, made and entered into as of April 28, 2010 by and between Home Loan Center, Inc. d/b/a LendingTree Loans and Bank of America	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 30, 2010
10.15	Amendment No. 1 to the Stock Option Award Agreement between Douglas R. Lebda and Tree.com, Inc., dated May 10, 2010	†
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.	†

<u>Exhibit</u>	<u>Description</u>	<u>Location</u>
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.	††

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† Filed herewith

†† Furnished herewith



**AMENDMENT NO. 1 TO STOCK PURCHASE AGREEMENT  
BETWEEN DOUGLAS R. LEBDA AND TREE.COM, INC.**

**May 10, 2010**

This Amendment No. 1 to that certain Stock Purchase Agreement, dated as of February 8, 2009 between Douglas R. Lebda (“**Employee**”) and Tree.com, Inc. (the “**Company**”), is effective as of February 25, 2010 (the “**Agreement**”) unless otherwise indicated. All capitalized terms used herein without definition shall have the meanings given to them in the Agreement.

**WHEREAS**, subject to the terms and conditions set forth herein, Employee and the Company wish to make certain amendments to the Agreement.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Article 5 of the Agreement is hereby amended by adding a new Section 5.8 to the end thereof:

“Section 5.8 Termination of Repurchase Option. Notwithstanding anything in this Article 5 to the contrary, the Repurchase Option shall automatically expire effective February 25, 2010 and shall have no force or effect thereafter.”

2. Except as explicitly set forth herein, the remaining provisions of the Agreement will remain in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this Amendment No. 1 as of the date first set forth above.

TREE.COM, INC.

/s/ Claudette Hampton

By: Claudette Hampton

Senior Vice President — Human Resources

EMPLOYEE

/s/ Douglas R. Lebda

Douglas R. Lebda

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**AMENDMENT NO. 3 TO THE EMPLOYMENT AGREEMENT  
BETWEEN DOUGLAS R. LEBDA AND TREE.COM, INC.**

**May 10, 2010**

This Amendment No. 3 to that certain Employment Agreement, dated as of January 7, 2008 between Douglas R. Lebda (“**Employee**”) and Tree.com (as successor by assignment to IAC/InterActiveCorp) (the “**Company**”), as subsequently amended by Amendment No. 1, dated August 15, 2008 (“**Amendment No. 1**”) and Amendment No. 2, dated March 20, 2009 (“**Amendment No. 2**”) (collectively, the “**Agreement**”), is effective as of February 25, 2010, unless otherwise indicated. All capitalized terms used herein without definition shall have the meanings given to them in the Agreement.

**WHEREAS**, subject to the terms and conditions set forth herein, Employee and the Company wish to make certain amendments to the Agreement to provide Employee with enhanced severance in the event that his employment terminates under certain circumstances following a change in control of the Company;

**WHEREAS**, Employee and the Company also wish to make certain clarifications to the timing upon which Employee may receive such severance payments consistent with recent guidance set forth in applicable Internal Revenue Service guidance: and

**WHEREAS**, Employee’s right to receive severance payments is subject to a substantial risk of forfeiture within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency is hereby acknowledged, the parties hereby agree as follows:

1. Section 1A of the Agreement is hereby amended by adding the following sentence as a separate paragraph to the end thereof:

“Notwithstanding the foregoing, effective as of the LT Spin-Off (as defined below), the term LendingTree shall mean the Company.”

2. Section 3A(c) of the Agreement is hereby amended by adding a new subsection (iv) to the end thereof:

“(iv) Notwithstanding the foregoing and anything to the contrary in this Agreement or any other agreement pursuant to which Employee has received or shall receive in the future awards of equity from the Company, to the extent not vested in such equity awards, Employee shall become immediately 100% vested in such equity awards upon the occurrence of a “Change in Control” (as such term is defined by Section 1(h) of the Standard Terms and Conditions to the Agreement) and in the case of restricted stock awards, such underlying shares shall become immediately nonforfeitable and transferable.”

3. Section 1(d) of the Standard Terms and Conditions of the Agreement is hereby deleted and replaced in its entirety as follows:

“(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 LendingTree 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”), the Company shall pay Employee the amounts described in clauses (A) and (B) on the 60<sup>th</sup> day following Employee’s termination (the “Payment Date”) and take the actions described in clauses (C) and (D); provided that, payment of the amount described in clause (A) and the actions described in clauses (C) and (D) shall be conditioned on Employee’s execution and non-revocation before the Payment Date of a general release of the Company and its affiliates substantially in the form attached hereto as Exhibit A, on and Employee’s compliance with Sections 2(a) through 2(e):

(A) Employee’s Base Salary, payable over the period commencing on the Payment Date and ending on the date that is the earlier of (i) the last day of the Term or (ii) three (3) years from the date of termination (the “Salary Continuation Period”) and paid in accordance with the Company’s normal payroll practices in effect at the time of Employee’s termination;

(B) a lump sum cash payment equal to any Accrued Obligations;

(C) the vesting of all IAC restricted stock units held by Employee on the Effective Date shall be accelerated in full; and

(D) to the extent previously granted, the Company shall vest in full the LT Restricted Stock and the LT Options on the termination date and such options shall remain exercisable for a period of twelve months from the date of such termination.

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.”

4. Section 1 of the Standard Terms and Conditions of the Agreement is hereby amended by adding a new subsection (h) to the end thereof:

“(h) QUALIFYING TERMINATION WITHIN ONE YEAR FOLLOWING CHANGE IN CONTROL. If Employee experiences a Qualifying Termination within the one-year period following a Change in Control (as defined below), the Company shall pay Employee the amounts described in clauses (A) and (B) on the 60<sup>th</sup> day following Employee’s termination (the “Payment Date”) and take the actions described in clauses (C) and (D); provided that, payment of the amount described in clause (A) and the actions described in clauses (C) and (D) shall be conditioned

on Employee's execution and non-revocation before the Payment Date of a general release of the Company and its affiliates substantially in the form attached hereto as Exhibit A, on and Employee's compliance with Sections 2(a) through 2(e):

- (A) an amount equal to three (3) times Employee's then-current Base Salary payable over the Salary Continuation Period, paid in accordance with the Company's normal payroll practices in effect at the time of Employee's termination;
- (B) a lump sum cash payment equal to any Accrued Obligations;
- (C) the vesting of all IAC restricted stock units held by Employee on the Effective Date shall be accelerated in full; and
- (D) to the extent previously granted, the Company shall vest in full the LT Restricted Stock and the LT Options on the termination date and such options shall remain exercisable for a period of twelve months from the date of such termination.

Notwithstanding the foregoing, in no event shall Employee's resignation be for Good Reason unless the requirements of paragraph 1(d)(x) through paragraph 1(d)(z) are met with respect to such resignation.

For purposes of this paragraph 1(h), the term "Change in Control" has the meaning set forth in the Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan.

Further, no amounts payable to Employee pursuant to this paragraph 1(h) shall be subject to the mitigation or offset provisions described in paragraph 1(e) of these Standard Terms and Conditions."

5. Section 2(b) of the Standard Terms and Conditions of the Agreement is hereby amended by adding the following sentence to the end thereof:  
 "Notwithstanding the foregoing and exclusively with respect to Employee's termination of employment pursuant to paragraph 1(h), 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."
6. Section 2(c) of the Standard Terms and Conditions of the Agreement is hereby amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing and exclusively with respect to Employee's termination of employment pursuant to paragraph 1(h), 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."

7. Section 2(d) of the Standard Terms and Conditions of the Agreement is hereby amended by adding the following sentence to the end thereof:  
 "Notwithstanding the foregoing and exclusively with respect to Employee's termination of employment pursuant to paragraph 1(h), 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."
8. Section 10 of the Standard Terms and Conditions of the Agreement is hereby amended by adding the following sentence to the end thereof:  
 "For purposes of this Agreement, the terms "termination" and "termination of employment" (and variations thereof) shall mean Employee's "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations promulgated under Section 409A of the Code, apply the default terms thereof."
9. Except as explicitly set forth herein, the remaining provisions of the Agreement will remain in full force and effect.

\* \* \* Signature Page to Follow \* \* \*

IN WITNESS WHEREOF, the parties have executed this Amendment No. 3 as of the date first set forth above.

TREE.COM, INC.

/s/ Claudette Hampton

By: Claudette Hampton  
 Senior Vice President — Human Resources

EMPLOYEE



**AMENDMENT NO. TO THE RESTRICTED STOCK AWARD AGREEMENT  
BETWEEN DOUGLAS R. LEBDA AND TREE.COM, INC.**

**[Date]**

This Amendment No. to that certain Restricted Stock Award Agreement, dated as of [DATE] (the “Agreement”) between Douglas R. Lebda (“Employee”) and Tree.com (the “Company”) is effective as of [DATE], unless otherwise indicated. All capitalized terms used herein without definition shall have the meanings given to them in the Agreement.

**WHEREAS**, subject to the terms and conditions set forth herein, Employee and the Company wish to make certain amendments to the Agreement.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Section 2 of the Agreement is hereby deleted and replaced in its entirety with the following:
  - “2. In order for your 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). Notwithstanding the foregoing or any other provision to the contrary in the Plan or this Agreement, you shall become 100% vested in your Award upon the occurrence of a Change in Control. Nothing in this Agreement or the 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.”
2. Except as explicitly set forth herein, the remaining provisions of the Agreement will remain in full force and effect.

\* \* \* Signature Page to Follow \* \* \*

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IN WITNESS WHEREOF, the parties have executed this Amendment No. as of the date first set forth above.

TREE.COM, INC.

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By: Claudette Hampton  
Senior Vice President — Human Resources

EMPLOYEE

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Douglas R. Lebda

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between David Norris ("Executive") and Tree.com, Inc., a corporation (the "Company"), and is effective as of June 30th, 2008 (the "Effective Date").

WHEREAS, the Company desires to establish its right to the services of Executive, in the capacity described below, on the terms and conditions hereinafter set forth, and Executive is willing to accept such employment on such terms and conditions.

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

1. EMPLOYMENT. During the Term (as defined below), the Company shall employ Executive, and Executive shall be employed, as President, Home Loan Center. During Executive's employment with the Company, 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. During Executive's employment with the Company, Executive shall report directly to the Chief Executive Officer of the Company or any officer designated by him (hereinafter referred to as the "Reporting Officer"). Executive shall have such powers and duties with respect to the Company or its affiliates as may reasonably be assigned to Executive by the Reporting Officer, to the extent consistent with Executive's position. Executive agrees to devote all of Executive's working time, attention and efforts to the Company and to perform the duties of Executive's position in accordance with Company policies applicable to all employees of the Company and its subsidiaries and/or affiliates, as well as Company policies (or the policies of such other businesses for which Executive has direct or indirect responsibility under this Agreement) as in effect from time to time. Executive's principal place of employment shall be the principal offices of Home Loan Center, Inc., located in Irvine, California; provided, however, that travel to the Company's other offices in Charlotte or Irvine may occasionally be required. Executive acknowledges that the Company may, in its sole discretion from time to time, change the Executive's responsibilities or his or her direct / indirect reports without any effect hereunder.

2. TERM. The term of this Agreement, which shall commence on the Effective Date, shall continue until and including June 30, 2010 (the "Term") unless terminated earlier as set forth in the Standard Terms and Conditions; provided, that certain provisions herein may specify a greater period of effectiveness.

3. COMPENSATION.

(a) BASE SALARY. During the period that Executive is employed with the Company hereunder, the Company shall pay Executive an annual base salary of \$350,000 (the "Base Salary"), payable in equal biweekly installments (or, if different, in accordance with the

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Company's payroll practice as in effect from time to time), or such higher salary as shall be agreed to in writing by Executive and the Company from time to time. For all purposes under this Agreement, the term "Base Salary" shall refer to the Base Salary as in effect from time to time.

(b) EQUITY INCENTIVES. During the period that Executive is employed with the Company hereunder, Executive shall be eligible to receive a discretionary equity incentives, including but not limited to restricted stock unit awards and/or stock options, which incentives shall be granted to Executive at the time the Company 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 the Company on the date such incentives are awarded.

(c) DISCRETIONARY BONUS. During the period that Executive is employed with the Company hereunder, Executive shall be eligible to receive a discretionary annual bonus in an amount determined by the Reporting Officer, which bonus shall be payable to Executive at the time the Company pays year-end bonuses generally and otherwise in accordance with applicable policies and practices, provided, that Executive is employed by Company on the date such bonuses are paid.

(d) BENEFITS. From the Effective Date through the date of termination of Executive's employment with the Company for any reason, Executive shall be entitled to participate in any welfare, health and life insurance and pension benefit programs 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. Without limiting the generality of the foregoing, Executive shall be entitled to the following benefits:

(i) Reimbursement for Business Expenses. During the period that Executive is employed with the Company hereunder, the Company shall reimburse Executive for all reasonable, necessary and documented expenses incurred by Executive in performing Executive's duties for the Company, on the same basis as similarly situated employees and in accordance with applicable policies as in effect from time to time.

(ii) Vacation and other Paid Time Off. During the period that Executive is employed with the Company hereunder, 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.

4. 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 delivery, or by overnight delivery by a nationally recognized carrier, in each case to the applicable address set forth below, and any such notice is deemed effectively given when received by the recipient (of if receipt is refused by the recipient, when so refused):

If to Executive:

At the most recent address for Executive on file at the Company.

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

5. GOVERNING LAW; JURISDICTION. This Agreement and the legal relations thus created between the parties hereto (including, without limitation, any dispute arising out of or related to this Agreement) shall be governed by and construed under and in accordance with the internal laws of the State of North Carolina without reference to its principles of conflicts of laws. Any such dispute will be heard exclusively and determined before an appropriate federal court located in the State of North Carolina in the Western District, or, if not maintainable therein, then in an appropriate state court located in Mecklenburg County, North Carolina, and each party hereto submits itself and its property to the exclusive jurisdiction of the foregoing courts with respect to such disputes. Each party hereto (i) agrees that service of process may be made by mailing a copy of any relevant document to the address of the party set forth above, (ii) waives to the fullest extent permitted by law any objection which it may now or hereafter have to the courts referred to above on the grounds of inconvenient forum or otherwise as regards any dispute between the parties hereto arising out of or related to this Agreement, (iii) waives to the fullest extent permitted by law any objection which it may now or hereafter have to the laying of venue in the courts referred to above as regards any dispute between the parties hereto arising out of or related to this Agreement and (iv) agrees that a judgment or order of any court referred to above in connection with any dispute between the parties hereto arising out of or related to this Agreement is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

6. 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.

7. STANDARD TERMS AND CONDITIONS. Executive expressly understands and acknowledges that the Executive 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 Executive Standard Terms and Conditions attached hereto, taken as a whole.

8. SECTION 409A OF THE INTERNAL REVENUE CODE. This Agreement is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder ("Section 409A"). Notwithstanding the foregoing, if this Agreement or any benefit paid to Executive hereunder is subject to Section 409A and if the Executive is a

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"Specified Employee" (as defined under Section 409A) as of the date of Executive's termination of employment hereunder, then the payment of benefits, if any, scheduled to be paid by the Company to Executive hereunder during the first six (6) month period beginning on the date of a termination of employment hereunder shall be delayed during such six (6) month period and shall commence immediately following the end of such six (6) month period (and, if applicable, the period in which such payments were scheduled to be made if not for such delay shall be extended accordingly). In no event shall the Company be required to pay Executive any "gross-up" or other payment with respect to any taxes or penalties imposed under Section 409A with respect to any benefit paid to Executive hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Executive has executed and delivered this Agreement as of June 30th, 2008.

Tree.com, Inc.

/s/ Claudette Hampton

By: Claudette Hampton

Title: Senior Vice President, Human Resources

/s/ David Norris

David Norris

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EXECUTIVE STANDARD TERMS AND CONDITIONS

1A. TERMINATION OF EXECUTIVE'S EMPLOYMENT.

(a) DEATH. In the event Executive's employment hereunder is terminated by reason of Executive's death, the Company shall pay Executive's designated beneficiary or beneficiaries, within thirty (30) days of Executive's death in a lump sum in cash, (i) Executive's Base Salary through the end of the month in which death occurs and (ii) any Other Accrued Obligations (as defined in Section 1A(e) below).

(b) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of Executive's duties with the Company for a period of four (4) consecutive months and, within thirty (30) days after written notice is provided to Executive by the Company (in accordance with Section 4 of the Employment Agreement), Executive shall not have returned to the full-time performance of Executive's duties, Executive's employment under this Agreement may be terminated by the Company for Disability. During any period

prior to such termination during which Executive is absent from the full-time performance of Executive's duties with the Company due to Disability, the Company shall continue to pay Executive's Base Salary at the rate in effect at the commencement of such period of Disability, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company. Upon termination of Executive's employment due to Disability, the Company shall pay Executive within thirty (30) days of such termination (i) Executive's Base Salary through the end of the month in which termination occurs in a lump sum in cash, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company; and (ii) any Other Accrued Obligations (as defined in paragraph 1(e) below).

(c) TERMINATION FOR CAUSE. Upon the termination of Executive's employment by the Company for Cause (as defined below), the Company shall have no further obligation hereunder, except for the payment of any Other Accrued Obligations (as defined in paragraph 1(e) below). As used herein, "Cause" shall mean: (i) the Executive's plea of guilty or nolo contendere to, or conviction for, the commission of (A) a felony offense, or (B) a misdemeanor offense involving any breach of trust or fiduciary duty by Executive or involving any moral turpitude; provided, however, that after indictment, the Company may suspend Executive from the rendition of services, but without limiting or modifying in any other way the Company's obligations under this Agreement; (ii) a material breach by Executive of a fiduciary duty owed to the Company; (iii) a material breach by Executive of any of the covenants made by Executive in Section 2A hereof; (iv) the willful or gross neglect by Executive of the material duties required by this Agreement; or (v) a material violation by Executive of any Company policy pertaining to ethics, wrongdoing or conflicts of interest.

(d) TERMINATION OR BREACH BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE. If (i) Executive's employment hereunder is terminated by the Company or the Company commits a material breach of this Agreement prior to the

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expiration of the Term for any reason other than Executive's death or Disability or for Cause, then the Company shall pay Executive the following:

(i) Within thirty (30) days following such termination, breach, or resignation, an amount equal to all Other Accrued Obligations (as defined herein); and

(ii) An amount equal to one (1) year's Base Salary, payable in equal installments on the Company's regularly scheduled paydays over the one (1) year period following the date of such termination, breach, or resignation (the "Severance Period").

If Executive obtains other employment or is otherwise compensated for services provided during this Severance Period, the Company's obligation to make future payments to Executive under these subparagraph (d)(ii) and shall be offset against any compensation earned by Employee as a result of employment with or services provided to a third party. Executive agrees to inform the Company promptly of his or her employment status and any amounts so earned during the Severance Period. Executive's right to the payments under these subparagraph (d)(ii) shall be subject to Executive's execution and non-revocation of a general release of the Company and its affiliates, in a form substantially similar to that used for similarly situated executives of the Company and its affiliates, and Executive's compliance with the restrictive covenants set forth in Section 2A of these Standard Terms and Conditions. Executive acknowledges and agrees that the payments described in this Section 1A(d) constitutes good and valuable consideration for such release.

(e) OTHER ACCRUED OBLIGATIONS. As used in this Agreement, "Other Accrued Obligations" shall mean the sum of (i) any portion of Executive's accrued but unpaid Base Salary or Bonus 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 Executive (together with any interest or earnings thereon) that has not yet been paid and that is not otherwise to be paid at a later date pursuant to the executive deferred compensation plan of the Company, if any, and (iii) any reimbursements that Executive is entitled to receive under Section 3(d) of the Agreement.

## 2A. CONFIDENTIAL INFORMATION; NON-COMPETITION; NON-SOLICITATION; AND PROPRIETARY RIGHTS.

(f) CONFIDENTIALITY. Executive acknowledges that, while employed by the Company, Executive will occupy a position of trust and confidence. The Company, its subsidiaries and/or affiliates shall provide Executive with "Confidential Information" as referred to below. Executive shall not, except as may be required to perform Executive's duties hereunder or as required by applicable law, without limitation in time, communicate, divulge, disseminate, disclose to others or otherwise use, whether directly or indirectly, any Confidential Information regarding the Company and/or any of its subsidiaries and/or affiliates.

"Confidential Information" shall mean information about the Company or any of its subsidiaries or affiliates, and their respective businesses, employees, consultants, contractors, clients and customers that is not disclosed by the Company or any of its subsidiaries or affiliates

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for financial reporting purposes or otherwise generally made available to the public (other than by Executive's breach of the terms hereof) and that was learned or developed by Executive in the course of employment by 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. Executive 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. Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of Executive'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 Executive in the course of Executive's employment by the Company and its subsidiaries or affiliates. As used in this Agreement, "subsidiaries" and "affiliates" shall mean any company controlled by, controlling or under common control with the Company. For purposes of this Agreement, "Confidential Information" shall not include any information that is now or hereafter becomes known to the public or otherwise is in the public domain other than through Executive's fault, breach, disclosure, or other act of Executive.

(g) NON-COMPETITION. 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 Executive's employment hereunder and for a period of twelve (12) months thereafter (the "Restricted Period"), Executive 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 2A(b), (i) a “Competitive Activity” means any business or other endeavor involving Similar Products if such business or endeavor is in a country (including the United States) in which the Company (or any of its businesses) provides or planned to provide during Executive’s employment hereunder such Similar Products; (ii) “Similar Products” means any products or services that are the same (or substantially the same) as any of the (A) types of products or services that the online loan origination, online loan brokerage, or online real estate brokerage businesses of Home Loan Center, Inc., LendingTree and/or the Company or (B) significant types of products or services that any other business for which Executive has direct or indirect responsibility hereunder, in each case, provides, has provided or planned to provide during Executive’s employment hereunder; and (iii) 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, consultant 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, Executive may make and retain investments during the Restricted Period, for investment purposes only, in less than one percent (5%) of the outstanding capital stock of any publicly-traded corporation engaged in a Competitive Activity if the stock of

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such corporation is either listed on a national stock exchange or on the NASDAQ National Market System if Executive is not otherwise affiliated with such corporation. Executive acknowledges that Executive’s covenants under this Section 2A(b) are a material inducement to the Company’s entering into this Agreement.

(h) NON-SOLICITATION OF EMPLOYEES. Executive recognizes that he or she will possess Confidential Information about other employees, consultants and contractors of the Company and its subsidiaries or affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with suppliers to and customers of the Company and its subsidiaries or affiliates. Executive recognizes that the information he or she will possess about these other employees, consultants and contractors is not generally known, is of substantial value to the Company 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 business position with the Company. Executive agrees that, during Executive’s employment hereunder and for a period of twelve (12) months thereafter, (i) Executive will not, directly or indirectly, hire or solicit or recruit any person then employed by the Company and/or any of its subsidiaries and/or affiliates with whom Executive has had direct contact during his or her employment hereunder, in all cases, for the purpose of being employed by Executive or by any business, individual, partnership, firm, corporation or other 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 Company or any of its subsidiaries or affiliates to any other person except within the scope of Executive’s duties hereunder. Notwithstanding the foregoing, the restrictions set forth immediately above shall, in the case of employees with whom Executive had a direct working relationship prior to his or her employment with the Company, its subsidiaries and/or affiliates, (i) upon a termination of Executive’s employment by the Company for any reason other than for Cause, shall apply for a period of nine (9) months following such termination, or (ii) if Executive terminates his or her employment hereunder, apply for a period of twelve (12) months following such termination.

(i) NON-SOLICITATION OF CUSTOMERS. During Executive’s employment hereunder and for a period of twelve (12) months thereafter, Executive shall not solicit any Customers of the Company or encourage (regardless of who initiates the contact) any such Customers to use the facilities or services of any competitor of the Company. For the purposes of this subsection, “Customers” means any persons or entities that purchased products or services from the Company within twelve (12) calendar months of the termination of Executive’s employment.

(j) PROPRIETARY RIGHTS; ASSIGNMENT. All Employee Developments (defined below) shall be considered works made for hire by Executive for the Company or, as applicable, its subsidiaries or affiliates, and Executive agrees that all rights of any kind in any Employee Developments belong exclusively to the Company. In order to permit the Company to exploit such Employee Developments, Executive shall promptly and fully report all such Employee Developments to the Company. Except in furtherance of his or her obligations as an employee of the Company, Executive shall not use or reproduce any portion of any record associated with any Employee Development without prior written consent of the Company or, as applicable, its subsidiaries or affiliates. Executive agrees that in the event actions of Executive

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are required to ensure that such rights belong to the Company under applicable laws, Executive will cooperate and take whatever such actions are reasonably requested by the Company, whether during or after the Term, and without the need for separate or additional compensation. “Employee Developments” means any idea, know-how, discovery, invention, design, method, technique, improvement, enhancement, development, computer program, machine, algorithm or other work of authorship, whether developed, conceived or reduced to practice during or following the period of employment, that (i) concerns or relates to the actual or anticipated business, research or development activities, or operations of the Company (or any other Company business for which Executive has direct or indirect responsibility during his or her employment hereunder), or (ii) results from or is suggested by any undertaking assigned to Executive or work performed by Executive 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, or (iii) uses, incorporates or is based on Company equipment, supplies, facilities, trade secrets or inventions of any form or type. All Confidential Information and all Employee Developments are and shall remain the sole property of the Company or any of its subsidiaries or affiliates. Executive shall acquire no proprietary interest in any Confidential Information or Employee Developments developed or acquired during the Term. To the extent Executive may, by operation of law or otherwise, acquire any right, title or interest in or to any Confidential Information or Employee Development, Executive hereby assigns and covenants to assign to the Company all such proprietary rights without the need for a separate writing or additional compensation. Executive shall, both during and after the Term, upon the Company’s request, promptly execute, acknowledge, and deliver to the Company all such assignments, confirmations of assignment, 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.

(k) COMPLIANCE WITH POLICIES AND PROCEDURES. During the period that Executive is employed with the Company hereunder, Executive shall adhere to the policies and standards of professionalism set forth in the Company’s Policies and Procedures applicable to all employees of the Company and its subsidiaries and/or affiliates, as well as Company policies (or the policies of such other businesses for which Executive has direct or indirect responsibility under this Agreement) as they may exist from time to time.

(g) SURVIVAL OF PROVISIONS. The obligations contained in this Section 2A shall, to the extent provided in this Section 2A, survive the termination or expiration of Executive'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 that any restriction in this Section 2A is excessive in duration or scope or is unreasonable or unenforceable under applicable law, 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 applicable law.

3A. TERMINATION OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties and, as of the Effective Date, terminates and supersedes any and all prior agreements and understandings (whether written or oral) between the parties with

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respect to the subject matter of this Agreement. Executive acknowledges and agrees that neither the Company nor anyone acting on its behalf has made, and is not making, and in executing this Agreement, Executive has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement. Executive hereby represents and warrants that by entering into this Agreement, Executive will not rescind or otherwise breach an employment agreement or other agreement with Executive's current employer prior to the natural expiration date of such agreement.

Notwithstanding the foregoing, nothing in this Agreement shall alter the Executive's rights to (i) any grant of RSUs or other equity interests, or the vesting rights or conditions of termination and/or expiration thereof, granted in any prior agreement (including, without limitation, the rights granted to Executive under that certain Restricted Shares Grant and Shareholders' Agreement dated as of May 5, 2003, as amended from time to time), or (ii) the payment of any cash bonus, whether guaranteed or discretionary, attributable to the Company's 2007 fiscal year and awarded in any prior agreement.

4A. ASSIGNMENT; SUCCESSORS. Without limiting the provisions of Section 2A(d) of this Agreement, the parties agree that this Agreement is personal in its nature and that 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 the Company may assign this Agreement to, or allow any of its obligations to be fulfilled by, or take actions through, any affiliate of the Company and, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company (a "Transaction") 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 shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder, and in the event of any such assignment or Transaction, all references herein to the "Company" shall refer to the Company's assignee or successor hereunder. Further, it is the intent of the parties that this Agreement shall survive the spin-off of LendingTree, LLC and shall be automatically assigned to, assumed by, and binding upon the new parent company of LendingTree (referred to herein as "Tree.com") following the spin-off. Following the spin-off, all references herein to "Company" or "LendingTree" shall thereafter refer to Tree.com.

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

6A. 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.

7A. REMEDIES FOR BREACH. Executive expressly agrees and understands that Executive will notify the Company in writing of any alleged breach of this Agreement by the Company, and the Company will have thirty (30) days from receipt of Executive's notice to cure any such breach. Executive expressly agrees and understands that in the event of any termination of Executive's employment by the Company during the Term, the Company's contractual

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obligations to Executive shall be fulfilled through compliance with its obligations under Section 1A of the Standard Terms and Conditions.

Executive expressly agrees and understands that the remedy at law for any breach by Executive of Section 2A of the Standard Terms and Conditions 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 Executive's violation of any provision of such Section 2A, 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 shall be deemed to limit the Company's remedies at law or in equity for any breach by Executive of any of the provisions of this Agreement, including Section 2A, which may be pursued by or available to the Company.

8A. 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.

9A. 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.

10A. INDEMNIFICATION. The Company shall indemnify and hold Executive harmless for acts and omissions in Executive'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 Executive for any losses incurred by Executive as a result of acts described in Section 1A(c) of this Standard Terms and Conditions.

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**AMENDMENT TO EMPLOYMENT AGREEMENT  
BETWEEN DAVID NORRIS AND TREE.COM, INC.**

**December 3, 2009**

This Amendment (“*Amendment*”) to that certain Employment Agreement, dated as of June 30, 2008 (“*Agreement*”) between David Norris (“*Executive*”) and Tree.com, Inc. (“*Company*”), is effective as of December 3, 2009. All capitalized terms used herein without definition shall have the meanings given to them in the Agreement.

**RECITALS**

**WHEREAS**, Executive and Company are parties to the Agreement; and

**WHEREAS**, the parties wish to amend the Agreement as set forth below.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein and in the Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and Company hereby agree as follows:

1. **Term.** Notwithstanding Section 2 of the Agreement, the Term is hereby extended through June 30, 2011.
2. **Change in Control.** Section 2A(g) of the Agreement shall be waived in case of a change in control of Company that results in the dismissal of Executive without cause. For purposes of this Amendment, a “*Change in Control*” means

(i) the acquisition, by any means, by any individual entity or group, within the meaning of Section 13 (d)(3) or 14 (d)(2) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), (a “*Person*”), directly or indirectly, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of equity securities of Tree.com representing more than 50% of the voting power of the then outstanding equity securities of Tree.com entitled to vote generally in the election of directors or managing members (as applicable) of the entity (“*Outstanding Voting Securities*”); *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition by any employee benefit plan (or trust related to such employee benefit plan) sponsored or maintained by Tree.com or any corporation controlled by Tree.com or (2) any acquisition by any Person pursuant to a transaction which complies with clauses (A) and (B) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation or sale or other disposition, directly or indirectly or all or substantially all of the assets of Tree.com or the purchase of assets or stock or another entity (a “*Business Combination*”) in each case, unless immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, managing members or other required persons (as applicable) of the entity resulting from such Business Combination (including, without limitation, an entity

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which as a result of such transaction owns Tree.com or all or substantially all of the assets of Tree.com either directly or through one or more subsidiaries) in substantially the same proportion as their ownership immediately prior to such Business Combination of the outstanding voting securities, and (B) no Person, any employee benefit plan (or related trust) of Tree.com or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than a majority of the combined voting power of the then Outstanding Voting Securities of such entity except to the extent that such ownership of Tree.com existed prior to the Business Combination; or

(iii) the approval by the members, stockholders or other required persons (as applicable) of Tree.com or a complete liquidation or dissolution of Tree.com.

Also, if the Executive resigns within ninety (90) days following the consummation of any Hostile Change of Control of the Company, then the Company shall pay the Executive the following:

- i) Within thirty (30) days following such resignation, an amount equal to all Other Accrued Obligations (as defined in the Agreement); and
- ii) An amount equal to one (1) year’s Base Salary, payable in equal installments on the Company’s regularly scheduled paydays over the one (1) year period following the date of such resignation (the “*Severance Period*”).
- iii) For the purposes of this Amendment, a “*Hostile Change of Control*” means a transaction or series of transactions that results in any Person acquiring beneficial ownership of more than fifty percent (50%) of the combined voting power of the Company’s then Outstanding Voting Securities without the approval of the Company’s Board of Directors.

3. In the event that Company purchases a mortgage company and places someone other than Executive in charge of the combined mortgage company, then such event shall be deemed a termination of Executive without cause and Executive shall be entitled to receive the severance benefits provided under Section 1A(d) of the Agreement.

4. Except as otherwise specifically provided herein, in the event any term or condition of this Amendment shall conflict with or be inconsistent with any term of the Agreement, this Amendment shall govern to the extent of such conflict. All other terms and conditions of the Agreement shall remain in full force and effect. Capitalized terms herein, not otherwise defined, shall have the meaning as in the Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Amendment as of the date first written above.

TREE.COM, INC.

DAVID NORRIS

By: /s/ Claudette Hampton

/s/ David Norris

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**AMENDMENT NO. 2 TO THE EMPLOYMENT AGREEMENT  
BETWEEN DAVID NORRIS AND TREE.COM, INC.**

**May 10, 2010**

This Amendment No. 2 (“**Amendment**”) to that certain Employment Agreement, dated as of June 30, 2008 between David Norris (“**Executive**”) and Tree.com, Inc. (the “**Company**”), for itself and on behalf of its subsidiaries, as applicable, as subsequently amended by Amendment No. 1, dated December 3, 2009 (collectively, the “**Agreement**”) is effective as of February 25, 2010. All capitalized terms used herein without definition shall have the meanings given to them in the Agreement.

**WHEREAS**, subject to the terms and conditions set forth herein, Executive and the Company wish to make certain amendments to the Agreement to provide Executive with enhanced severance in the event that his employment terminates under certain circumstances following a change in control of the Company;

**WHEREAS**, Executive and the Company also wish to make certain clarifications to the Agreement with respect to severance payments consistent with recent guidance promulgated by the Internal Revenue Service;

**WHEREAS**, the Compensation Committee of the Board of Directors of Tree.com has met and previously approved the amendments set forth herein.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency is hereby acknowledged, the parties hereby agree as follows:

1. Section 3(b) of the Agreement is hereby amended by adding the following sentence to the end thereof:

“Notwithstanding the foregoing and anything to the contrary in this Agreement or any other agreement pursuant to which Executive has received or shall receive in the future awards of equity from the Company, Executive shall become immediately 100% vested in such equity awards upon the occurrence of a “Change in Control” (as such term is defined by Amendment No. 1 to the Agreement).”

2. Section 8 of the Agreement is hereby amended by deleting the first sentence and replacing it with the following:

“It is intended that this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder (“**Section 409A**”) and shall be interpreted and operated consistently with that intent.”

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3. Section 8 of the Agreement is hereby amended by adding the following sentence to the end thereof:

“For purposes of this Agreement, the terms “**termination**,” “**termination of employment**” and “**resignation**” (and variations thereof) shall mean Executive’s “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations promulgated under Section 409A, applying the default terms thereof.”

4. Section 1A (d) of the Executive Standard Terms and Conditions is hereby deleted and replaced in its entirety as follows:

“(d) TERMINATION OR BREACH BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE; RESIGNATION BY EXECUTIVE FOR GOOD REASON. Upon (i) termination of Executive’s employment with the Company prior to the expiration of the Term by the Company without Cause (other than for death or Disability) or (ii) upon Executive’s resignation prior to the expiration of the Term for “**Good Reason**” (as defined herein) (either such termination or resignation, a “**Qualifying Termination**”), the Company shall pay Executive the amounts described in subparagraphs (A) and (B) below. The Company shall pay Executive the amount described in subparagraph (A) within thirty (30) days following Executive’s Qualifying Termination. The Company shall pay Executive the amount described in subparagraph (B) on the 60<sup>th</sup> day following Executive’s Qualifying Termination date (the “**Payment Date**”); provided that, payment of the amount described in subparagraph (B) shall be conditioned on Executive’s execution and non-revocation before the Payment Date of a general release of the Company and its affiliates in a form substantially similar to that used for similarly situated executives of the Company and its affiliates (a “**Release of Claims**”), and Executive’s compliance with the restrictive covenants set forth in Section 2A of these Executive Terms and Conditions.

(A) An amount equal to all “**Other Accrued Obligations**” (as defined herein).

(B) An amount equal to Executive’s then-current Base Salary, payable in installments on the Company’s regularly scheduled paydays over the one (1) year period following the date of such Qualifying Termination (the “**Salary Continuation Payments**”).

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 (the “**Severance Period**”), the Company’s obligation to make future payments to Executive under

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subparagraph (B) 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 the Company promptly of his employment status and any amounts so earned during the Severance Period. Executive acknowledges and agrees that the payments described in subparagraph (B) above constitute good and valuable consideration for such Release of Claims.

For purposes of this Agreement, the term “**Good Reason**” shall mean (i) a material breach by the Company of this Agreement prior to the expiration of the Term or (ii) the purchase of a mortgage company and placement by the Company of a person other than Executive in charge of the combined mortgage company.”

5. Section 1 of the Executive Terms and Conditions of the Agreement is hereby amended by adding a new subsection (f) to the end thereof:

“(f) **QUALIFYING TERMINATION WITHIN ONE YEAR FOLLOWING CHANGE IN CONTROL.** If Executive experiences a Qualifying Termination within the one-year period following a Change in Control (as defined by Amendment No. 1 to the Agreement), the Company shall pay Executive the amount described in subparagraph (i) below within thirty (30) days following Executive’s Qualifying Termination date. The Company shall also pay Executive the amount described in subparagraph (ii) below on the 60<sup>th</sup> day following the date on which Executive experiences a Qualifying Termination within a one-year period following a Change in Control (the “**Change in Control Payment Date**”); provided that, payment of the amount described in subparagraph (ii) shall be conditioned on Executive’s execution and non-revocation before the Change in Control Payment Date of a Release of Claims, and Executive’s compliance with the restrictive covenants set forth in Section 2A of these Executive Terms and Conditions.

(i) An amount equal to all Other Accrued Obligations.

(ii) An amount equal to two times Executive’s then-current Base Salary, payable in installments on the Company’s regularly scheduled paydays over the one (1) year period following the date of such Qualifying Termination.

No amounts payable to Executive pursuant to this paragraph (f) shall be subject to the mitigation or offset provisions described in paragraph 1A (d) of these Executive Terms and Conditions.”

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6. Section 1 of the Executive Terms and Conditions of the Agreement is hereby amended by adding a new subsection (h) to the end thereof

“(h) **NON-GOOD REASON RESIGNATION FOLLOWING CHANGE IN CONTROL.** Notwithstanding anything to the contrary in Amendment No. 1 to the Agreement, if Executive resigns his employment within ninety (90) days following the consummation of any “Hostile Change in Control” (as such term is defined in Amendment No.1 to the Agreement), then the Company shall pay Executive the following amounts:

(i) An amount equal to the Other Accrued Obligations, within thirty (30) days following such resignation.

(ii) An amount equal to one (1) year’s Base Salary, payable in equal installments on the Company’s regularly scheduled paydays over the one (1) year period following the date of such resignation. Notwithstanding the foregoing, the Company shall pay Executive the salary continuation payments described in this subparagraph (ii) on the 60<sup>th</sup> day following the date on which Executive resigns his employment pursuant to this paragraph 1A(h) (the “**Resignation Payment Date**”); provided that payment of the such amount shall be conditioned on Executive’s execution and non-revocation before the Resignation Payment Date of a Release of Claims; and Executive’s compliance with the restrictive covenants set forth in Section 2A of these Executive Terms and Conditions.”

7. Paragraph three of Amendment No. 1 to the Agreement is hereby deleted in its entirety.

8. Except as explicitly set forth herein, the remaining provisions of the Agreement will remain in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this Amendment No. 2 as of the date first written above.

**TREE.COM, INC.**

**DAVID NORRIS**

By: /s/ Claudette Hampton

/s/ David Norris

By: Claudette Hampton

Senior Vice President — Human Resources

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April 22, 2009

Greg Hanson  
SVP & GM, RealEstate.com & Tree.com

Dear Greg:

In consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tree.com, Inc. ("**Company**") and you hereby agree as follows ("**Severance Agreement**"):

1. In the event your employment is terminated by the Company without cause and for reasons unrelated to performance between today and December 31, 2010, the Company will pay severance to you in an amount equal to your monthly base salary then in effect for a period of six (6) months after your termination date ("**Severance Payments**") if you comply with all of the following:
  - a. You must assist and cooperate with the Company's efforts for an effective and orderly transition of your responsibilities;
  - b. You must comply with the restrictive covenants contained in Section 2 of this Severance Agreement ("**Restrictive Covenants**") throughout the Restricted Period (as defined below);
  - c. You must execute and deliver to the Company the Release Agreement referenced in Section 3 of this Severance Agreement ("**Release**") and not revoke it; and
  - d. You must comply with all other provisions of this Severance Agreement.

Please also be aware that any behavior detrimental to the Company (i.e., disparaging remarks about the Company or its leadership), including but not limited to your failure to keep confidential either the severance arrangement (or even disclosing the fact that you are eligible for a severance arrangement) or any potential organizational changes, will jeopardize your eligibility for severance benefits.

For the purposes of this Severance Agreement, "**cause**" shall mean: (i) the plea of guilty or *nolo contendere* to, or conviction for, the commission of a felony offense or moral turpitude; (ii) a material breach of a fiduciary duty owed to the Company; (iii) the willful or gross neglect of the material duties required; (iv) a violation of any Company policy pertaining to ethics, wrongdoing or conflicts of interest; (v) the use of alcohol or illegal drugs that interferes materially with performance of duties; or (vi) your default of any agreement between you and Company or any of Company's affiliates.

If the Company terminates your employment for cause or for reasons related to performance or if you resign or die, the Company shall have no obligation whatsoever under this Severance Agreement to pay all or any portion of the Severance Payments. If matters constituting cause become known to the Company subsequent to the time that your employment is terminated, then the Company may, by delivery of written notice to you, treat such termination as being for cause and the Company shall have all rights and remedies available at law or in equity, including but not limited to the right to recover any and all Severance Payments.

In the event your employment is terminated by the Company without cause and for reasons unrelated to performance with an effective date after December 31, 2010, you will be eligible for severance pay subject to any conditions, and in accordance with any applicable Company severance policies, then in effect.

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In the event your employment hereunder is terminated by the Company or the Company commits a material breach of this Agreement prior to the expiration of the Term for any reason other than your death or Disability or for Cause, any unvested RSUs granted in February 2009 and April 2009 that are scheduled to vest during the Severance Period shall vest immediately upon such termination or breach. This paragraph shall be construed to providing additional vesting rights to you beyond those conferred in the Tree.com, Inc. Annual Stock and Incentive Plan (the "Plan") and the related Award agreement, and nothing in this Agreement shall reduce any vesting rights otherwise conferred to you under the Plan or the Award agreement.

2. In consideration of the compensation and other consideration given to you pursuant to this Severance Agreement, you understand and agree that the purpose of the provisions of this Section is to protect legitimate business interests of the Company, as more fully described below, and is not intended to eliminate your post-employment competition with the Company per se, nor is it intended to impair or infringe upon your right to work, earn a living, or acquire and possess property from the fruits of your labor. You hereby acknowledge that the post-employment restrictions set forth in this Section are reasonable and that they do not, and will not, unduly impair your ability to earn a living after the termination of your employment with Company. You shall be subject to and agree to abide by the restrictions set forth in this Section.
  - a. The following capitalized terms used in this Section shall have the meanings assigned to them below:
    - i. "**Competitive Services**" means Internet-based loan origination, Internet-based loan brokerage or Internet-based real estate brokerage services.
    - ii. "**Determination Date**" means the date of termination of your employment with the Company for any reason whatsoever or any earlier date (during your employment) of an alleged breach of the Restrictive Covenants by you.
    - iii. "**Person**" means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.
    - iv. "**Principal Or Representative**" means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.
    - v. "**Protected Customers**" means any Person to whom the Company has sold its services or solicited to sell its services during the twelve (12) months prior to the Determination Date; provided, however, that Protected Customer shall not include any Person with which you can reasonably demonstrate that you had a pre-existing professional relationship prior to the commencement of your employment with the Company.

- vi. “**Protected Employees**” means employees of the Company who were employed by the Company at any time within six months prior to the Determination Date and with whom you had direct, personal and continuing dealings on behalf of the Company or whom you directly supervised.
  - vii. “**Restricted Period**” means the period of your employment with Company and a period extending one year from the termination of your employment with Company.
- b. **RESTRICTIVE COVENANTS.**
- i. **Nonsolicitation of Protected Employees.** You understand and agree that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to your own use. Accordingly, you hereby agree that during the Restricted Period you shall not directly or indirectly on your own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his or her employment relationship with the Company or to enter into employment with any other Person.

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- ii. **Restriction on Relationships with Protected Customers.** You understand and agree that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to your own use. Accordingly, you hereby agree that, during the Restricted Period, you shall not, without the prior written consent of the Company, directly or indirectly, on your own behalf or as a Principal or Representative of any Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom you had Material Contact on the Company’s behalf during the twelve (12) months immediately preceding the Determination Date. For purposes of this Section, you had “**Material Contact**” with a Protected Customer if (a) you had direct business dealings with the Protected Customer on the Company’s behalf or (b) you were responsible for supervising or coordinating the dealings between the Company and the Protected Customer.
  - iii. **Covenant not to Compete.** You agree and covenant that during the Restrictive Period you will not, without Company’s prior written consent, which may be granted or withheld in the sole discretion of the Company, directly or indirectly, (i) for yourself; (ii) as a consultant, manager, supervisor, employee or owner; or (iii) as an independent contractor, engage in activities related to Competitive Services for any Person which markets, sells or otherwise provides Competitive Services in the geographical areas in which the Company does business; *provided, however*, that the ownership by you of not more than five percent (5%) of the shares of any publicly traded class of stock of any corporation shall not be deemed, in and of itself, to violate the foregoing prohibitions.
- c. **ENFORCEMENT OF RESTRICTED COVENANTS.**
- i. **Rights and Remedies upon Breach.** In the event you breach, or threaten to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the right and remedy to enjoin, preliminarily and permanently, you from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Such right and remedy shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. In addition, the Restricted Period shall be extended for the period of any such breach or threatened breach.
  - ii. **Severability of Covenants.** You acknowledge and agree that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. The covenants set forth in this Section shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision contained herein. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and you in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.
  - iii. **Notice.** Before accepting employment or any consulting arrangement with any person, organization or entity during the Restricted Period, you agree to inform such person, organization or entity of the restrictions contained in this Severance Agreement. If you accept employment or enter into any consulting arrangement with any person, organization or entity during the Restricted Period, you agree to promptly provide

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written notice to the Company of the name and address of any such person, organization or entity and describe the service which you will be providing. On or after the effective date of such other employment or remunerative arrangement, any and all future Severance Payments shall be offset by any amounts so earned by you from such other employment or remunerative arrangement, and to the extent you have received payment for such other employment or arrangement while receiving Severance Payments, you shall promptly refund such Severance Payments to Company.

- 3. The Company’s obligations with respect to the Severance Payments described herein shall be subject to and conditioned upon the performance of your obligations under this Agreement and your execution and delivery to the Company in a timely manner of the Release which will be provided to you at that time. Under such Release, you will release all legal claims against Company and agree to mitigate severance pay if you should obtain other employment during the 6 month period. If you are over age forty (40) at the time of entry into the Release, you will have a period of at least 21 days to decide whether to execute and deliver the Release and you will also have seven (7) calendar days from the date on which you sign the Release to revoke it. Revocation must be in writing and received by the Company’s Human Resources Department in Charlotte, NC within such seven (7) day period to be effective. Revocation or any failure to execute and deliver the Release as provided herein for any reason will result in your not being eligible to receive Severance Payments.
- 4. Subject to the provisions hereof, the Severance Payments shall be payable on Company’s regularly scheduled paydays over the six (6) month period beginning on the next succeeding payroll processing date following 1) the expiration of the seven (7) day revocation period specified in Section 3; or 2) if

such revocation period is not applicable your termination date, in bi-weekly equal installments which will be subject to any and all applicable federal, state, and local withholdings or deductions and Company's normal payroll procedures and schedule.

5. You agree to keep secret and retain in strictest confidence, and shall not use for the benefit of yourself or others or disclose to others, any confidential and proprietary information of the Company, including but not limited to information and materials relating to the internal operations of the Company, its processes and procedures, trade "know-how", sales, marketing and distribution methods and strategies, suppliers, customers, prospective customers, services, terms of contracts, pricing policies, business plans, research and development projects and any and all other business affairs of the Company (collectively, "**Confidential Information**"). Confidential Information does not include any information or material generally available to the public. You agree that the existence of and the terms and provisions of this Agreement shall remain and be kept strictly confidential. This confidentiality provision applies to and expressly prohibits all communications to any person or entity, including, without limitation, communications to any present, former or future Company employee.
6. You agree that on or before the termination date of your employment, you will return to the Company all property and materials belonging to the Company in your possession, including but not limited to all laptops, cell phones, communication devices, Confidential Information, financial information, customer files, sales or marketing materials, documents, records, memoranda, notes, lists, computer files, and any and all other property, written materials and copies thereof, made available to you or made or compiled by you in any format.
7. You agree to cooperate fully with the Company, its affiliates, and their respective legal counsel in connection with any disputes arising out of matters with which you were directly or indirectly involved while employed by Company. This cooperation shall include, but shall not be limited to, meeting with, and providing information to the Company and its legal counsel, maintaining the confidentiality of any past or future privileged communications with the Company's legal counsel (outside and in-house counsel), and making yourself available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of the Company.

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8. Your employment by the Company is on an "at will" basis. This Severance Agreement does not create an employment contract or affect the right of the Company to terminate your employment, or change the terms and conditions of such employment, at any time without notice.
  9. This Severance Agreement represents the entire agreement of the parties with respect to the subject matter hereof. This Severance Agreement shall be governed by and construed under the laws of the State of North Carolina, without regard to any conflict of laws provisions. No waiver, modification or amendment of any provision of this Severance Agreement shall be effective, binding or enforceable unless in writing and signed by both parties.
  10. Section 409A of the Internal Revenue Code. This Agreement is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder ("**Section 409A**"). Notwithstanding the foregoing, if this Agreement or any benefit paid to Executive hereunder is subject to Section 409A and if the Executive is a "Specified Employee" (as defined under Section 409A) as of the date of Executive's termination of employment hereunder, then the payment of benefits, if any, scheduled to be paid by the Company to Executive hereunder during the first six (6) month period beginning on the date of a termination of employment hereunder shall be delayed during such six (6) month period and shall commence immediately following the end of such six (6) month period (and, if applicable, the period in which such payments were scheduled to be made if not for such delay shall be extended accordingly). In no event shall the Company be required to pay Executive any "gross-up" or other payment with respect to any taxes or penalties imposed under Section 409A with respect to any benefit paid to Executive hereunder.

If you agree to the terms of this Severance Agreement, please sign and date the enclosed copy and return it to the undersigned at the above address. By signing this Severance Agreement, you represent and agree that you have taken advantage of your right to consult with an attorney or have declined to do so, that you have carefully read and fully understand all of the provisions of this Severance Agreement and that you are voluntarily entering into this Severance Agreement.

Very truly yours,

TREE.COM, INC.

By: /s/ Claudette Hampton

Title: SVP, Human Resources

AGREED, this 28 day of April 2009.

Sign Name: /s/ Greg Hanson

Print Name: Greg Hanson

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[Letterhead of Tree.com]

March 26, 2010

Greg Hanson  
Senior Vice President & General Manager, RealEstate.com & Tree.com

Dear Greg:

This letter is to notify you of a valuable additional benefit for certain employees of Tree.com, Inc. ("**Company**") that was recently adopted by the Compensation Committee of our Board of Directors in the event there is a Change of Control at the Company.

Should a Change of Control occur, all Tree.com, Inc. equity issued to you would immediately fully vest. (Vesting of equity in other SpinCos would continue to be subject to the applicable plan and vesting schedule.) There is no action you need to take — the accelerated vesting would automatically occur upon a Change of Control.

In addition, if there is a Change of Control and you (a) resign for Good Reason or (b) your employment is terminated without Cause and for reasons unrelated to performance (and other than as a result of your death or disability), during the twelve (12) month period following the Change of Control, you will receive a severance payment of two (2) years of base salary. This severance payment would replace any payment under the Company's general severance plan or other arrangement to which you would otherwise be entitled.

The severance payment described above is contingent upon your signing a general release of claims in favor of the Company and such release of claims becoming irrevocable prior to the date of payment. Such release will contain restrictive covenants (substantially in the form attached) in effect for one year following your termination date including a non-compete provision and restrictions on solicitation of employees and customers.

This letter does not create an employment contract or affect the right of the Company to terminate your employment, or change the terms and conditions of such employment, at any time and without notice.

Sincerely,

/s/ Claudette Hampton

Claudette Hampton  
Senior Vice President, Human Resources

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### Definitions

For the purposes of this letter, the following definitions apply:

"**Cause**" means gross negligence in carrying out your duties for the Company or any breach of fiduciary duties to the Company, conviction of, or plea of guilty or no contest to any felony, any act of fraud or embezzlement, material violation of a Company policy or any unauthorized use or disclosure of confidential information or trade secrets of the Company or its affiliates, or failure to cooperate in any Company investigation. Neither bad judgment nor mere negligence nor an act of omission reasonably believed by you to have been in, or not opposed to, the interests of the Company, shall constitute examples of gross negligence.

"**Change of Control**" results when: (i) any person or entity who is not a controlling shareholder as of the date of this letter becomes a beneficial owner, directly or indirectly, of securities of the Company representing fifty percent or more of the total voting power of all of the Company's then outstanding voting securities, (ii) a merger or consolidation of the Company in which the Company's voting securities immediately prior to the merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all voting securities of the surviving entity immediately after the merger or consolidation, or (iii) a sale of all or substantially all of the assets of the Company or a liquidation or dissolution of the Company. For purposes of defining Change of Control, "Company" refers to Tree.com, Inc. as a whole and does not apply to events only affecting specific businesses or subsidiaries of Tree.com, Inc.

"**Good Reason**" means the occurrence of any of the following without your written consent: (i) a material adverse change in your title, duties, operational authorities or reporting responsibilities from those in effect immediately prior to the Change in Control, 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 and further excluding a change in your reporting officer due to internal restructuring, realignment, or the resignation, promotion, demotion, or a reorganization of managers within the Company, (ii) a material reduction in your annual base salary, or (iii) a relocation of your principal place of business more than 50 miles from your current office.

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### Restrictive Covenants

In consideration of the compensation and other consideration given to you pursuant to the provisions of this letter, you understand and agree that the purpose of these covenants is to protect legitimate business interests of the Company, and is not intended to eliminate your post-employment competition with the

Company per se, nor is it intended to impair or infringe upon your right to work, earn a living, or acquire and possess property from the fruits of your labor. You hereby acknowledge that the post-employment restrictions set forth herein are reasonable and that they do not, and will not, unduly impair your ability to earn a living after the termination of your employment with Company. You shall be subject to and agree to abide by the restrictions set forth in this Section.

1. **Definitions.**

The following capitalized terms shall have the meanings assigned to them below:

- i. **“Competitive Services”** means Internet-based loan origination, Internet-based loan brokerage, Internet-based real estate brokerage services, or any other services that Company is engaged in as of the date of your termination.
- ii. **“Determination Date”** means the date of termination of your employment with the Company for any reason whatsoever or any earlier date (during your employment) of an alleged breach of the Restrictive Covenants by you.
- iii. **“Person”** means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.
- iv. **“Principal Or Representative”** means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.
- v. **“Protected Customers”** means any Person to whom the Company has sold its services or solicited to sell its services during the twelve (12) months prior to the Determination Date; provided, however, that Protected Customer shall not include any Person with which you can reasonably demonstrate that you had a pre-existing professional relationship prior to the commencement of your employment with the Company.
- vi. **“Protected Employees”** means employees of the Company who were employed by the Company at any time within six months prior to the Determination Date and with whom you had direct, personal and continuing dealings on behalf of the Company or whom you directly supervised.
- vii. **“Restricted Period”** means the period of your employment with Company and a period extending one year from the termination of your employment with Company.

2. **Non-solicitation of Protected Employees.** You understand and agree that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to your own use. Accordingly, you hereby agree that during the Restricted Period you shall not directly or indirectly on your own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his or her employment relationship with the Company or to enter into employment with any other Person.

3. **Restriction on Relationships with Protected Customers.** You understand and agree that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to your own use. Accordingly, you hereby agree that, during the Restricted Period, you shall not, without the prior written consent of the Company, directly or indirectly, on your own behalf or as a Principal or Representative of any

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Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom you had Material Contact on the Company’s behalf during the twelve (12) months immediately preceding the Determination Date. For purposes of this Section, you had **“Material Contact”** with a Protected Customer if (a) you had direct business dealings with the Protected Customer on the Company’s behalf or (b) you were responsible for supervising or coordinating the dealings between the Company and the Protected Customer.

4. **Covenant not to Compete.** You agree and covenant that during the Restrictive Period you will not, without Company’s prior written consent, which may be granted or withheld in the sole discretion of the Company, directly or indirectly, (i) for yourself; (ii) as a consultant, manager, supervisor, employee or owner; or (iii) as an independent contractor, engage in activities related to Competitive Services for any Person which markets, sells or otherwise provides Competitive Services in the geographical areas in which the Company does business; *provided, however*, that the ownership by you of not more than five percent (5%) of the shares of any publicly traded class of stock of any corporation shall not be deemed, in and of itself, to violate the foregoing prohibitions.

5. **ENFORCEMENT OF RESTRICTED COVENANTS.**

- i. **Rights and Remedies upon Breach.** In the event you breach, or threaten to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the right and remedy to enjoin, preliminarily and permanently, you from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Such right and remedy shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. In addition, the Restricted Period shall be extended for the period of any such breach or threatened breach.
- ii. **Severability of Covenants.** You acknowledge and agree that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. The covenants set forth in this Section shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision contained herein. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and you in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

6. **Confidentiality.** You agree to keep secret and retain in strictest confidence, and shall not use for the benefit of yourself or others or disclose to others, any confidential and proprietary information of the Company, including but not limited to information and materials relating to the internal operations of the Company, its processes and procedures, trade “know-how”, sales,

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marketing and distribution methods and strategies, suppliers, customers, prospective customers, services, terms of contracts, pricing policies, business plans, research and development projects and any and all other business affairs of the Company (collectively, “**Confidential Information**”). Confidential Information does not include any information or material generally available to the public. You agree that the existence of and the terms and provisions of this Agreement shall remain and be kept strictly confidential. This confidentiality provision applies to and expressly prohibits all communications to any person or entity, including, without limitation, communications to any present, former or future Company employee.

**CONFIDENTIAL SEVERANCE AGREEMENT AND RELEASE**

THIS CONFIDENTIAL SEVERANCE AGREEMENT AND RELEASE ("**Agreement**") is made this 2nd day of March, 2010, by and between Robert L. Harris ("**Harris**") and Tree.com, Inc. ("**Company**"), with its principal office in Charlotte, NC.

**WHEREAS**, Harris has been employed by the Company as President, LendingTree, LLC;

**WHEREAS**, Harris and the Company desire to terminate their employment relationship in an amicable and definitive manner and to settle, compromise and resolve any and all claims they may have against each other;

**WHEREAS**, Harris's last day in the office is April 16, 2010 and his last day of employment with Company shall be May 31, 2010 ("**Termination Date**"); and

**WHEREAS**, the Company, in exchange for the Release provided by Harris herein, has agreed to provide Harris with certain additional compensation which it is not otherwise obligated to provide.

**NOW, THEREFORE**, in consideration of the execution of this Agreement, and for other good and valuable consideration, the parties hereto agree as follows:

1. **Compensation.** Harris shall perform all normal duties through April 16, 2010 and the Company will pay to Harris all salary payments and other compensation due and payable, during the term of employment through and including the Termination Date. From April 17, 2010 through the Termination Date, Harris shall provide transition services to Company.

2. **Employee Benefits.** From and after May 31, 2010, Harris shall not have the right to participate in or receive any benefit under any employee benefit plan of the Company, any fringe benefit plan of the Company, or any other plan, policy or arrangement of the Company providing benefits or perquisites to employees of the Company generally or individually. Provided, however, that Harris shall be entitled, if otherwise eligible, (i) to exercise his right to continued coverage under the Company medical benefit plan as provided by the Consolidated Omnibus Budget Reconciliation Act of 1986, 26 U.S.C. § 490B et seq. ("**COBRA**") (and with respect to which the Company will provide Harris with a separate notice as required by federal law); and (ii) to elect the payment of benefits to which Harris is entitled under the Tree.com, Inc. 401(k) Retirement Savings Plan as provided under the terms of the plan. Harris's rights, if any, under the Tree.com, Inc. 2008 Stock and Annual Incentive Plan as well as the Terms and Conditions for the 2007 Growth Share

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Awards shall be determined in accordance with the terms of the applicable plan documents, including any amendments.

3. **Special Exit Package.** As consideration for Harris's acknowledgement of his termination by Company without cause, his execution of this Agreement and his assent to its terms and conditions including the performance of transition services set forth in Section 2, the Company shall 1) on or before the Termination Date, vest Harris's Tree.com, Inc. 3,410 Restricted Stock Units ("**RSUs**") that are currently scheduled to vest on February 6, 2011 as well as 12,812 RSUs that are currently scheduled to vest on February 17, 2011 and 2,813 RSUs that are currently scheduled to vest on February 17, 2012, and 2) pay Harris forty thousand dollars (\$40,000) less required applicable deductions in a lump sum upon execution of this Agreement and after the revocation period set forth in Section 6(b) below.

4. **Adequacy of Consideration.** Harris understands that the Special Exit Package provided hereunder by the Company is discretionary in nature, is not an admission of liability by the Company, is not required of the Company in the absence of this Agreement, and constitutes adequate consideration for the Agreement.

5. **Return of Property.** Harris acknowledges that the Company has returned to him all of his personal effects and property which were in the Company's possession or control. Harris further acknowledges and agrees that he has returned or will return to the Company all property of the Company (including, but not limited to, computers, cell phones, pagers, keys and access cards, Company credit cards, and all other Company documents, records and equipment) which are in Harris's possession or control, including all copies and summaries of any of the Company's confidential or proprietary information. Harris further affirms that he understands his obligation to keep confidential the business and proprietary information of the Company and that he will not discuss or disclose such information with anyone.

6. **Release.**

(a) As a material inducement to the Company to provide the Special Exit Package and any other consideration described herein, Harris, for himself and his heirs, executors, administrators and assigns, hereby irrevocably and unconditionally forever releases and discharges the Company and its predecessors, successors, affiliates, benefits plans, assigns, and their respective directors, officers, shareholders, trustees, administrators, employees, representatives and agents from any and all actual or potential claims, demands, actions, causes

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of action or liabilities of any kind or nature, whether known or unknown, including, but not limited to, all claims related to or arising out of his employment with the Company, whether based on tort, contract (express or implied) or any federal, state or local law, statute or regulation, including, but not limited to, claims brought under: (i) the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq.; (ii) the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq.; (iii) the Family and Medical Leave Act, 29 U.S.C. § 2611 et seq.; (iv) Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2001e et seq., as amended; (v) the Americans with Disabilities Act, 42 U.S.C. § 12101 et seq.; (vi) the discrimination or other employment laws of the State of North Carolina;

and (vii) any other claims for personal injury, compensatory or punitive damages or attorneys' fees. (This release does not apply to claims that may arise after the date this Agreement is executed or to any claims to vested benefits under the employee retirement benefit plan.)

(b) ADEA Claims. Harris hereby releases and discharges Company, its subsidiaries, affiliates, and their respective parents, direct or indirect subsidiaries, divisions, affiliates and related companies or entities, 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, actions and causes of action that he may have against the Released Parties, as of the date of the execution of this Agreement, arising under the Age Discrimination in Employment Act of 1967, as amended ("**ADEA**"), and the applicable rules and regulations promulgated thereunder. Harris acknowledges and understands that ADEA is a federal statute that prohibits discrimination on the basis of age in employment, benefits and benefit plans. Harris specifically agrees and acknowledges that: (A) the release in this Section 6 was granted in exchange for the receipt of consideration that exceeds the amount to which he would otherwise be entitled to receive upon termination of his employment; (B) his waiver of rights under this Agreement is knowing and voluntary as required under the Older Workers Benefit Protection Act; (C) that he has read and understands the terms of this Agreement; (D) he has hereby been advised in writing by the Company to consult with an attorney prior to executing this Agreement; (E) the Company has given him a period of up to twenty-one (21) days within which

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to consider this Agreement, which period shall be waived by his voluntary execution prior to the expiration of the twenty-one day period and the parties agree that any changes to the terms or conditions of this Agreement (whether material or immaterial) will not restart the running of the 21-day period; and (F) following his execution of this Agreement he has seven (7) days in which to revoke his release as set forth in this Section 6(b) only and that, if he chooses not to so revoke, the agreement in this Section 6 shall then become effective and enforceable and the Special Exit Package shall then be made to him in accordance with the terms of this Agreement. To cancel this Agreement, Harris understands that he must give a written revocation to the Senior Vice President of Human Resources of the Company at 11115 Rushmore Drive, Charlotte, North Carolina 28277, either by hand delivery or certified mail within the seven (7) day period. If he rescinds the Agreement, it will not become effective or enforceable and he will not be entitled to any benefits from the Company.

7. Complete Bar. Harris agrees that the parties released above in paragraph 6 may plead this Agreement as a complete bar to any action or suit before any court or administrative body with respect to any claim released herein.

8. Confidentiality, Non-disparagement and Continuing Obligations.

(a) Harris agrees, promises, and covenants that the terms and provisions of this Agreement shall remain and be kept strictly confidential by him and shall not be disclosed except as provided herein. Without the express written agreement of the Company, or unless required to do so by law, Harris agrees to take every precaution to disclose this information only to those attorneys, accountants, governmental entities, and family members who have a reasonable need to know such information. To the extent required by law or applicable regulation, Harris may also disclose the provisions of this Agreement to the appropriate taxing authorities. This confidentiality provision applies to and expressly prohibits all communications by Harris to any person or entity, including, without limitation, communications to any present, former or future Company employee.

(b) Harris promises that he will not make critical, negative or disparaging remarks about the Company, its affiliates, or their officers, directors, employees or representatives, including but not limited to comments about any of their products, services, business or employment practices.

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(c) Additionally, Harris acknowledges that, during his employment with the Company, he may have learned information that is confidential to the Company ("**Confidential Information**"). Such Confidential Information may have included (among other things): purchasing and product information; sales and account information; customer information; sales and marketing plans and strategies; pricing strategies; profit margins; pricing reports; information concerning claims or potential claims against the Company; personnel information, and any other information of a similar nature. Harris agrees that he will not disclose any Confidential Information to any person (including any Company employee who does not need to know such Confidential Information), agency, institution, company or other entity without first obtaining the written consent of the Company.

(d) Harris acknowledges that his obligations governed by any agreements entered into with Company regarding rights in intellectual property, non-competition and non-solicitation remain in effect pursuant to their original terms.

9. No Admission of Liability. Harris understands and agrees that the Company admits no liability with respect to any claim related to or arising out of the termination of Harris's employment or any other matters.

10. References. Any and all inquiries relating to Harris's employment with the Company shall be directed to the Company's Senior Vice President, Human Resources. If asked about Harris's employment with the Company, the Company will only provide neutral information pursuant to Company policy, consisting of dates of employment and positions held.

11. Entire Agreement. This Agreement contains the entire agreement between the parties and may be modified only in a writing executed in the same manner as the original Agreement; and no agreements, representations, or statements of any party not contained herein shall be binding on such party.

12. Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the state of North Carolina, as they are applied to contracts made and to be wholly performed in this state, regardless of choice of law principles to the contrary. In addition, Harris consents to the jurisdiction of any North Carolina court over any claims arising under or relating to this Agreement.

13. Enforcement. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be wholly or partially illegal, invalid, or

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unenforceable (with the exception of the release contained in paragraph 6), the legality, validity, and enforceability of the remaining parts, terms, or provisions shall not be affected thereby, and said illegal, unenforceable, or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

14. Costs. The parties will each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

15. Acknowledgments.

(a) Harris acknowledges that he has had ample opportunity to consult with his attorney prior to his execution of this Agreement, and was encouraged and advised in writing to do so by the Company.

(b) Harris has carefully read and fully understands all of the provisions and effects of this Agreement and he knowingly and voluntarily entered into all of the terms set forth in this Release.

(c) Harris knowingly and voluntarily intends to be legally bound by all of the terms set forth in this Agreement.

(d) Harris relied solely and completely upon his own judgment or the advice of his attorney in entering into this Agreement.

(e) Harris's signature below evidences his understanding and voluntary waiver of all claims against the Company.

**NOW, THEREFORE**, Harris and Company have executed this Agreement, freely and voluntarily, as of the date first written above.

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/s/ Robert L. Harris (SEAL)  
ROBERT L. HARRIS

Sworn to and subscribed before me  
this 2nd day of March 2010.

/s/ Robin H. Chandler  
Notary Public

My Commission Expires: May 4, 2010

LENDINGTREE, LLC

By: /s/ Claudette Hampton

Title: SVP, Human Resources

(CORPORATE SEAL)

Sworn to and subscribed before me  
this 2nd day of March 2010.

/s/ Robin H. Chandler  
Notary Public

My Commission Expires: May 4, 2010

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## RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (the "Agreement") is made between Tree.com, Inc., a Delaware corporation ("Tree.com"), and

Tree.com sponsors the Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan (the "Plan"). This Agreement represents an award of Shares of Restricted Stock under the Plan. All capitalized terms used herein, to the extent not defined, shall have the same meaning as set forth in the 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 Plan and this Agreement, Tree.com awards to you \_\_\_\_\_ Shares of Restricted Stock (the "Shares").
2. In order for all or any portion of the Shares to vest, you must be continuously employed by Tree.com (or any of its Subsidiaries or Affiliates) to the vesting date on which any applicable performance conditions are met, as described in Section 3. The actual number Shares that vest will be determined based on the extent to which the performance conditions, if any, described in Section 3 are met. Nothing in this Agreement or the 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 any employment agreement between you and Tree.com.
3. You will earn and become vested in the Shares in accordance with the conditions of this Section. Until they become vested, the 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 Shares (such period during which restrictions apply is the "Restriction Period"). Subject to any Performance Goals set forth below, the Shares shall vest as follows:
 

[Notwithstanding the foregoing, in the event of a Change in Control, 100% of your then-outstanding and unvested Shares Award shall vest upon the occurrence of such Change in Control.]

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

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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.

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 any unvested Shares at such time will be canceled and forfeited and returned to Tree.com. 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. In order to facilitate the transfer to Tree.com of any Shares pursuant to the terms hereof, you shall 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 Plan, the Plan shall control; provided, that an action or provision that is permissive under the terms of the 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 Plan shall govern.
7. Tree.com may modify, amend or waive the terms of your 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 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 Shares and/or the 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 Shares and/or the Plan and/or to implement or structure any further grants of equity awards (if any)). The acceptance of the 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.

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9. Your Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued there under (“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 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 Plan, constitutes the final understanding between you and Tree.com regarding the Shares. Any prior agreements, commitments or negotiations concerning the Shares are superseded.
11. 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 satisfactory arrangements for the payment of such taxes. As an alternative to making a cash payment to satisfy the Applicable Withholding Taxes, you may elect to (i) deliver shares of Common Stock which you already own (valued at their Fair Market Value as of the delivery date) in whole or partial satisfaction of such taxes or (ii) have Tree.com retain that number of Shares (valued at their Fair Market Value as of the delivery date) 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.

**TREE.COM, INC.**

By: \_\_\_\_\_  
 Title: \_\_\_\_\_

**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: \_\_\_\_\_




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**Notice of Restricted Stock Unit Award Granted Under the  
Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan  
(the “2008 Amended Plan”)**

**Important Note:** You must login to your account at \_\_\_\_\_ to accept this award and obtain other important information concerning the award, such as a copy of the 2008 Amended Plan and the Terms and Conditions for Restricted Stock Unit Awards (the “Terms and Conditions”). This award will not become effective until you login and accept both documents.

**Award Recipient:**

**Restricted Stock Unit Award:** restricted stock units (“RSUs”) granted under the 2008 Amended Plan.

**Award Date:**

**Vesting Schedule:** Subject to your continued employment with Tree.com or its Subsidiaries, your RSUs shall, subject to the provisions of the 2008 Amended 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 Amended Plan or in the attached Terms and Conditions, or any prior employment agreement, all of your unvested RSUs will be forfeited and canceled 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 Amended Plan.

Your RSUs are subject to the Terms and Conditions and to the 2008 Amended Plan, both of which are posted on \_\_\_\_\_ . Additional copies of these documents are also available on the MyEquity page of the Company intranet at \_\_\_\_\_ or upon request from your Human Resources Department.

We strongly encourage you to review the Terms and Conditions and the 2008 Amended 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 Second Amended and Restated Tree.com 2008 Stock and Annual Incentive Plan (the “2008 Amended 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 Amended Plan.

**Continuous Service**

In order for your 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 Amended 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.

**Vesting**

Subject to the Award Notice, these Terms and Conditions and the 2008 Amended 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 continued employment with Tree.com or its subsidiaries on 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. The term “Change in Control” is defined in the 2008 Amended Plan, and includes certain events affecting Tree.com (not events only affecting specific businesses of Tree.com).]

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

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## **Termination of Employment**

Upon the Termination of your Employment with Tree.com or any of its Subsidiaries or Affiliates during the Restriction Period without cause, any unvested portion RSU Award shall be forfeited and canceled in its entirety 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 a 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 of Common Stock 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 Amended 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. If the event that any such deduction and/or withholding is prohibited by law, you shall, prior to or contemporaneously with the vesting 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 Amended Plan, unless and until your RSUs are settled, you shall not be entitled to any rights of a stockholder with respect to the RSUs (including the right to vote the underlying shares). 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.

## **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 Amended Plan, the 2008 Amended Plan shall control; provided, that an action or provision that is permissive under the terms of the 2008 Amended 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 Amended 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 Amended 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 Amended 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.

#### **Section 409A of the Code**

Your Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, 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 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.




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**Notice of Stock Option Award Granted Under the  
Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan  
(the “2008 Amended Plan”)**

**Important Note:** You must login to your account at \_\_\_\_\_ to accept this award and obtain other important information concerning the award, such as a copy of the 2008 Amended Plan and the Terms and Conditions for Stock Option Awards (the “Terms and Conditions”). This award will not become effective until you login and accept both documents.

**Award Recipient:**

**Stock Option Award:** Stock options to acquire \_\_\_\_\_ shares of Tree.com common stock at an exercise price of \$ \_\_\_\_\_ per share (“Stock Options”) under the 2008 Amended Plan. Capitalized terms used (but not defined) in this Award Notice shall have the meanings set forth in the 2008 Amended Plan.

**Award Date**

**Vesting Schedule:** Subject to your continued employment with Tree.com or its Subsidiaries, your Stock Options shall, subject to the provisions of the 2008 Amended Plan, vest and no longer be subject to any restriction according to the following Vesting Schedule:

**Expiration Date:** Once vested, your Stock Options will expire upon the earlier of (i) the expiration of the 90-day 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 Amended Plan or the attached Terms and Conditions.

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

**Impact of a Termination of Employment:** Except as otherwise provided in the 2008 Amended Plan or in the Terms and Conditions, all of your unvested Stock Options will be forfeited and canceled in their entirety upon a Termination of Employment by Tree.com.

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**Terms and Conditions:** Your Stock Options are subject to the Terms and Conditions attached hereto and to the 2008 Amended Plan, which are posted on \_\_\_\_\_ and incorporated herein by reference. Copies of these documents are also available on the My Equity page of the Company intranet at \_\_\_\_\_ or upon request from your Human Resources Department.

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

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**Terms and Conditions for Stock Option Awards**

**Overview**

These Terms and Conditions apply to the option granted to you by Tree.com, Inc. (“Tree.com” or the “Company”) pursuant to Section 5 of the Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan (the “2008 Amended Plan”) of the right and option (the “Stock Options”) to purchase the number of shares of common stock of the Company, par value \$0.01 per share (the “Common Stock”), set forth in your award notice (the “Award Notice”) at the exercise price per share set forth in the Award Notice. The Stock Option shall be a Nonqualified Stock Option. Unless earlier terminated pursuant to the terms of your Award Notice, these Terms and Conditions or the 2008 Amended Plan, the Stock Options shall expire within ten years of your Award Date.

**ALL CAPITALIZED TERMS USED HEREIN, TO THE EXTENT NOT DEFINED, SHALL HAVE THE MEANINGS SET FORTH IN THE PLAN.**

**Continuous Service**

In order for your Stock Options 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 Amended 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.

## Vesting

Subject to the Award Notice, these Terms and Conditions and the 2008 Amended Plan, your Stock Options shall vest and become exercisable (such period prior to vesting is the "Restriction Period") as follows:

Vesting Date	Percentage of the Stock Option Award Vesting

[Notwithstanding the foregoing, 100% of your then-outstanding and unvested portion of your Stock Options shall vest upon the occurrence of a Change in Control. The term "Change in Control" is defined in the 2008 Amended Plan, and includes certain events affecting Tree.com (not events affecting specific businesses of Tree.com).]

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

## Method of Exercise of the Stock Options and Payment of the Exercise Price

The portion of your Stock Options that are vested shall be exercisable by delivery to the Company or the agent selected by Tree.com to administer the 2008 Amended Plan (the "Agent") of a written (including by way of electronic means) notice stating the number of whole shares to be purchased pursuant to these Terms and Conditions and accompanied by payment of the full purchase price of the shares of Common Stock to be purchased. Your Stock Options may not be exercised at any one time as to fewer than 100 shares (or such number of shares as to which the Stock Options are then exercisable if less than 100). Fractional share interests shall be disregarded except they may be accumulated.

The exercise price of the Stock Options shall be paid: (i) in cash or by certified check or bank draft payable to the order of the Company; (ii) by exchange of shares of unrestricted Common Stock of the Company already owned by you and having an aggregate Fair Market Value equal to the aggregate purchase price (which amount shall be equal to the product of the exercise price multiplied by the number of shares of Common Stock in respect of which the Stock Options are being exercised); provided, that you represent and warrant to the Company that you hold the shares of Common Stock free and clear of liens and encumbrances; (iii) by delivering, along with a properly executed exercise notice to the Company, a copy of irrevocable instructions to a broker to deliver promptly to the Company the aggregate exercise price and the amount of any applicable federal, state, local or foreign withholding taxes required to be withheld by the Company; provided, however, that such exercise must be implemented solely under a program or arrangement established and approved by the Company with a brokerage firm selected by the Company; or (iv) by any other procedure approved by the Committee, or by a combination of the foregoing.

## Termination of Employment

The treatment of your Stock Options upon the termination of your employment is set forth in your Award Notice, the remainder of this "Termination of Employment" section and the 2008 Amended Plan. 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. Except as set forth below, upon a Termination of Employment, all vested Stock Options may be exercised prior to the first to occur of (a) the 90th day after such Termination of Employment or (b) expiration of the option grant.

If your employment is terminated by Tree.com or any of its Subsidiaries or Affiliates for Cause, or if following any Termination of Employment between you and Tree.com or any of its Subsidiaries or Affiliates for any reason Tree.com determines that during the two (2) years prior to such Termination of Employment there was an event or circumstance that would have been grounds for termination for Cause, all of your Stock Options (whether or not vested) shall be forfeited and canceled in their entirety upon such termination. In the event you exercised your Stock Options upon your Termination of Employment for Cause or after an event that would be grounds for a Termination of Employment for Cause, the Company shall be entitled to recover from you at any time within two (2) years after such exercise, and you shall pay over to the

Company, any gain realized as a result of the exercise. This remedy shall be without prejudice to, or waiver of, any other remedies Tree.com or its Subsidiaries or Affiliates may have in such event.

In the event of a Termination of Employment due to your death (or, in the event of your death following a Termination of Employment while the Stock Options remain exercisable) that portion of the Stock Options, if any, which is exercisable at the time of death may be exercised by your estate or by a person who acquired the right to exercise such Stock Options by bequest or inheritance or otherwise by reason of your death at any time prior to the first to occur of (a) one (1) year after the date of death or (b) expiration of the option grant. In the event of a Termination of Employment due to your Disability or Retirement, that portion of the Stock Option, if any, which is exercisable at the time of such Termination of Employment for Disability or Retirement may be exercised by you or your guardian or legal representative at any time prior to the first to occur of (a) one (1) year after such Termination of Employment or (b) expiration of the option grant.

## Taxes and Withholding

No later than the date of exercise of the Stock Options granted hereunder (or such earlier date as of which an amount in respect of the Stock Options first becomes includible in your gross income for federal, state, local or foreign income or employment or other tax purposes), you shall pay to the Company or make arrangements satisfactory to the Committee regarding payment of any federal, state, local or foreign taxes of any kind required by law to be withheld upon the exercise of your Stock Options and the Company shall, to the extent permitted or required by law, have the right to deduct from any payment of any

kind otherwise due to you (either directly or indirectly through its agent), federal, state, local and foreign taxes of any kind required by law to be withheld upon the exercise of your Stock Options. Notwithstanding the foregoing, the Company shall be entitled to hold the shares issuable to you upon exercise of your Stock Options until the Company or the Agent has received from you (i) a duly executed Form W-9 or W-8, as applicable and (ii) payment for any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such Stock Options.

### **Adjustment in the Event of Change in Stock; Change in Control**

*Adjustment in the Event of Change in Stock.* In the event of (i) a stock dividend, stock split, reverse stock split, share combination, or recapitalization or similar event affecting the capital structure of Tree.com (each, a “Share Change”), or (ii) a merger, consolidation, acquisition of property or shares, separation, spin-off, reorganization, significant non-recurring cash dividend, stock rights offering, liquidation, Disaffiliation, or similar event affecting Tree.com or any of its Subsidiaries (each, a “Corporate Transaction”), the Committee or the Board shall make such substitutions or adjustments as it, in its good faith and sole discretion, deems appropriate and equitable to the number and kind of shares of Common Stock subject to your Stock Options and/or the exercise price per share. The determination of the Committee regarding any such adjustment will be final and conclusive and need not be the same for all Stock Option award recipients.

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### **Non-Transferability of Stock Options**

Your Stock Options are non-transferable (including by way of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise) by you other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, and your Stock Options may be exercised, during your lifetime, only by you or by your guardian or legal representative or any transferee described above.

### **No Rights as a Stockholder**

Neither you nor any transferee of your Stock Options shall have rights as a stockholder (including the right to vote the shares underlying your Stock Options and the right to receive dividends, except as provided above or in the 2008 Amended Plan) with respect to any shares covered by such Stock Options until you or your transferee (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 14(a) of the 2008 Amended Plan and (iii) has paid in full for the shares issuable upon exercise.

### **Payment of Transfer Taxes, Fees and Other Expenses**

The Company agrees to pay any and all original issue taxes and stock transfer taxes that may be imposed on the issuance of shares acquired pursuant to exercise of your Stock Options, together with any and all other fees and expenses necessarily incurred by the Company in connection therewith. Notwithstanding the foregoing, you shall be solely responsible for any other taxes (including, without limitation, federal, state, local or foreign income, social security, estate or excise taxes) that may be payable as a result of your participation in the 2008 Amended Plan or as a result of the exercise of your Stock Options and/or the sale, disposition or transfer of any shares of Common Stock acquired upon the exercise of your Stock Options.

### **Other Restrictions**

The exercise of your Stock Options 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, such exercise or the delivery or purchase of shares pursuant thereto, then in any such event, the exercise 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 Amended Plan, the 2008 Amended Plan shall control; provided, that an action or provision that is permissive under the terms of the 2008 Amended Plan, and required under these Terms and

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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 Amended Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the 2008 Amended Plan, (ii) prescribe, amend and rescind rules and regulations relating to the 2008 Amended Plan and (iii) make all other determinations deemed necessary or advisable for the administration of the 2008 Amended Plan. In the event of any conflict between your Award Notice (or any other information posted on Tree’s intranet or given to you directly or indirectly through the Agent (including information posted on \_\_\_\_\_)) and Tree’s books and records, or (ii) ambiguity in the Award Notice (or any other information given to you directly or indirectly through the Agent (including information posted on \_\_\_\_\_)), Tree’s books and records shall control.

### **Amendment**

Tree.com may modify, amend or waive the terms of your Stock Options, 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. The waiver by either party of compliance with any provision of these Terms and Conditions shall not operate or be construed as a waiver of any other provision hereof.

### **Data Protection**

The acceptance of your Stock Options 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 Stock Options and/or the 2008 Amended 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 Stock Options and/or the 2008 Amended Plan and/or to implement or structure any further grants of equity awards (if any)). The acceptance of your Stock Options 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.

**Notification of Changes**

Any changes to these Terms and Conditions shall either be posted on Tree's intranet and \_\_\_\_\_ 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) promptly after such change becomes effective.

AMENDMENT NO. 1 TO THE STOCK OPTION AWARD AGREEMENT  
BETWEEN DOUGLAS R. LEBDA AND TREE.COM, INC.

May 10, 2010

This Amendment No. 1 to that certain Stock Option Agreement, dated as of August 21, 2008 (the "Agreement") between Douglas R. Lebda ("Employee") and Tree.com (the "Company") is effective as of February 25, 2010, unless otherwise indicated. All capitalized terms used herein without definition shall have the meanings given to them in the Agreement.

WHEREAS, subject to the terms and conditions set forth herein, Employee and the Company wish to make certain amendments to the Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The text accompanying the Vesting Schedule section of the Notice of the 2008 Stock Option Award shall be deleted and replaced in its entirety with the following:

"Subject to your continued employment with Tree.com or its Subsidiaries, your Stock Options shall, subject to the provisions of the 2008 Plan and the Terms and Conditions for 2008 Stock Option Awards, vest and no longer be subject to any restriction *in full on the fifth anniversary of your Award Date.*"

2. The Vesting section of the Terms and Conditions for 2008 Stock Option Awards shall be amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing, 100% of your then-outstanding and unvested portion of your 2008 Stock Option Award shall vest upon the occurrence of a Change in Control. The term "Change in Control" is defined in the Plan, and includes certain events affecting Tree.com (not events only affecting specific businesses of Tree.com)."

2. Except as explicitly set forth herein, the remaining provisions of the Agreement will remain in full force and effect.

\* \* \* Signature Page to Follow \* \* \*

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 as of the date first set forth above.

TREE.COM, INC.

/s/ Claudette Hampton  
By: Claudette Hampton  
Senior Vice President –  
Human Resources

EMPLOYEE

/s/ Douglas R. Lebda  
Douglas R. Lebda

**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**

I, Douglas R. Lebda, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2010 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;
5. The registrant's other certifying officer 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.

Dated: May 12, 2010

/s/ DOUGLAS R. LEBDA

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Douglas R. Lebda  
*Chairman and Chief Executive Officer*

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## QuickLinks

[Exhibit 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](#)

**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**

I, Matthew A. Packey, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2010 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;
5. The registrant's other certifying officer 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.

Dated: May 12, 2010

/s/ MATTHEW A. PACKEY

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Matthew A. Packey  
*Senior Vice President and  
Chief Financial Officer*

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## QuickLinks

[Exhibit 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](#)

**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**

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:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010 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.

Dated: May 12, 2010

/s/ DOUGLAS R. LEBDA

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Douglas R. Lebda  
*Chairman and Chief Executive Officer*

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## QuickLinks

[Exhibit 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](#)

**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**

I, Matthew A. Packey, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010 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.

Dated: May 12, 2010

/s/ MATTHEW A. PACKEY

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Matthew A. Packey  
*Senior Vice President and  
Chief Financial Officer*

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## QuickLinks

[Exhibit 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](#)