

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 8-K**

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

Date of report (Date of earliest event reported): **April 28, 2009**

**Tree.com, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-34063**  
(Commission  
File Number)

**26-2414818**  
(IRS Employer  
Identification No.)

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

**28277**  
(Zip Code)

**(704) 541-5351**

(Registrant's Telephone number, including area code)

**Not Applicable**

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

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

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

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

On May 1, 2009, the Company announced financial results for the first quarter ended March 31, 2009. A copy of the press release is furnished as Exhibit 99.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On April 28, 2009, the Company entered into an Option Cancellation Agreement with Douglas R. Lebda, the Chairman and Chief Executive Officer of the Company, pursuant to which Mr. Lebda surrendered for cancellation in its entirety a stock option award to purchase 589,850 shares of the Company's common stock at an exercise price of \$25.43 per share. A copy of the Option Cancellation Agreement is filed herewith as Exhibit 10.1.

**Item 8.01. Other Events.**

On April 28, 2009, the Company held its 2009 Annual Meeting of Stockholders (the "Annual Meeting"). At the Annual Meeting, the stockholders of the Company approved the

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Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan (the "Stock Plan"). A summary description of the Stock Plan is set forth on pages 15 through 20 of the Company's Proxy Statement for the Annual Meeting filed with the Securities and Exchange Commission on March 19, 2009, which description is incorporated herein by reference. Such description is qualified in its entirety by reference to the complete terms and conditions of the Stock Plan, a copy of which is filed herewith as Exhibit 10.2. Also at the Annual Meeting, the stockholders of the Company elected the slate of directors recommended by the Board of Directors and ratified the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2009 fiscal year.

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

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	Option Cancellation Agreement dated April 28, 2009 between Douglas R. Lebda and Tree.com, Inc.
10.2	Second Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan
99	Press release, dated May 1, 2009, with respect to the Company's financial results for the first quarter ended March 31, 2009

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**SIGNATURE**

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

**TREE.COM, INC.**

Date: May 1, 2009

By: /s/ Matthew Packey  
Name: Matthew Packey  
Title: Senior Vice President and Chief Financial Officer

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**EXHIBIT INDEX**

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**OPTION CANCELLATION AGREEMENT**

THIS OPTION CANCELLATION AGREEMENT is made and entered into as of the 28<sup>th</sup> day of April, 2009, by and between Tree.com, Inc., a Delaware corporation (the "Company"), and Douglas R. Lebda, the Company's Chairman and Chief Executive Officer ("Executive", and, together with the Company, the "Parties").

**Statement of Purpose**

Pursuant to Amendment No. 1 to the Employment Agreement between Executive and IAC/InterActiveCorp dated August 15, 2008 (the "Employment Agreement"), Executive was granted an option to purchase 589,850 shares of the Company's common stock at an exercise price of \$25.43 per share (the "Award"). The Parties have agreed that Executive will surrender the Award for cancellation on the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing statement of purpose and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Executive on behalf of himself and his heirs, successors and assigns surrenders the Award for cancellation in its entirety effective as of the date hereof.

IN WITNESS WHEREOF, the Parties have executed this Option Cancellation Agreement on the date first written above.

TREE.COM, INC.

By: /s/ Matthew Packey

Name: Matthew Packey

Title: Senior Vice President and Chief Financial Officer

/s/ Douglas R. Lebda

Douglas R. Lebda

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**SECOND AMENDED AND RESTATED  
TREE.COM, INC.  
2008 STOCK AND ANNUAL INCENTIVE PLAN**

**Section 1. Purpose; Definition**

The purpose of this Plan is (a) to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide the Company and its Subsidiaries and Affiliates with a stock and incentive plan providing incentives directly linked to stockholder value and (b) to assume and govern other awards pursuant to the adjustment of awards granted under any IAC Long Term Incentive Plan (as defined in the Employee Matters Agreement) in accordance with the terms of the Employee Matters Agreement (“*Adjusted Awards*”). Certain terms used herein have definitions given to them in the first place in which they are used. In addition, for purposes of this Plan, the following terms are defined as set forth below:

- (a) “*Affiliate*” means a corporation or other entity controlled by, controlling or under common control with, the Company.
- (b) “*Applicable Exchange*” means Nasdaq or such other securities exchange as may at the applicable time be the principal market for the Common Stock.
- (c) “*Award*” means an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, or other stock-based award granted or assumed pursuant to the terms of this Plan, including Adjusted Awards.
- (d) “*Award Agreement*” means a written or electronic document or agreement setting forth the terms and conditions of a specific Award.
- (e) “*Beneficial Ownership*” shall have the meaning given in Rule 13d-3 promulgated under the Exchange Act.
- (f) “*Board*” means the Board of Directors of the Company.
- (g) “*Bonus Award*” means a bonus award made pursuant to Section 9.

(h) “*Cause*” means, unless otherwise provided in an Award Agreement, (i) “*Cause*” as defined in any Individual Agreement to which the applicable Participant is a party, or (ii) if there is no such Individual Agreement or if it does not define Cause: (A) the willful or gross neglect by a Participant of his employment duties; (B) the plea of guilty or *nolo contendere* to, or conviction for, the commission of a felony offense by a Participant; (C) a material breach by a Participant of a fiduciary duty owed to the Company or any of its subsidiaries; (D) a material breach by a Participant of any nondisclosure, non-solicitation or non-competition obligation owed to the Company or any of its Affiliates; or (E) before a Change in Control, such other events as shall be determined by the Committee and set forth in a Participant’s Award Agreement. Notwithstanding the general rule of Section 2(c), following a Change in Control, any determination by the Committee as to whether “*Cause*” exists shall be subject to *de novo* review.

- (i) “*Change in Control*” has the meaning set forth in Section 10(c).

(j) “*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

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- (k) “*Commission*” means the Securities and Exchange Commission or any successor agency.

- (l) “*Committee*” has the meaning set forth in Section 2(a).

- (m) “*Common Stock*” means common stock, par value \$0.01 per share, of the Company.

- (n) “*Company*” means Tree.com, Inc., a Delaware corporation, or its successor.

(o) “*Disability*” means (i) “*Disability*” as defined in any Individual Agreement to which the Participant is a party, or (ii) if there is no such Individual Agreement or it does not define “*Disability*,” (A) permanent and total disability as determined under the Company’s long-term disability plan applicable to the Participant, or (B) if there is no such plan applicable to the Participant or the Committee determines otherwise in an applicable Award Agreement, “*Disability*” as determined by the Committee. Notwithstanding the above, with respect to an Incentive Stock Option, Disability shall mean Permanent and Total Disability as defined in Section 22(e)(3) of the Code and, with respect to each Award that constitutes a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, the foregoing definition shall apply for purposes of vesting of such Award, provided that such Award shall not be settled until the earliest of: (i) the Participant’s “*disability*” within the meaning of Section 409A of the Code, or (ii) the Participant’s “*separation from service*” within the meaning of Section 409A of the Code and (iii) the date such Award would otherwise be settled pursuant to the terms of the Award Agreement.

(p) “*Disaffiliation*” means a Subsidiary’s or Affiliate’s ceasing to be a Subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.

(q) “*EBITA*” means for any period, operating profit (loss) plus (i) amortization, including goodwill impairment, (ii) amortization of non-cash distribution and marketing expense and non-cash compensation expense, (iii) restructuring charges, (iv) non-cash write-downs of assets or goodwill, (v) charges relating to disposal of lines of business, (vi) litigation settlement amounts and (vii) costs incurred for proposed and completed acquisitions.

(r) “*EBITDA*” means for any period, operating profit (loss) plus (i) depreciation and amortization, including goodwill impairment, (ii) amortization of non-cash distribution and marketing expense and non-cash compensation expense, (iii) restructuring charges, (iv) non-cash write-downs of assets or goodwill, (v) charges relating to disposal of lines of business, (vi) litigation settlement amounts and (vii) costs incurred for proposed and completed acquisitions.

(s) “*Eligible Individuals*” means directors, officers, employees and consultants of the Company or any of its Subsidiaries or Affiliates, and prospective employees and consultants who have accepted offers of employment or consultancy from the Company or its Subsidiaries or Affiliates.

(t) “*Employee Matters Agreement*” means the Employee Matters Agreement by and among IAC, Ticketmaster, Interval Leisure Group, Inc., HSN, Inc. and Tree.com, Inc.

(u) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(v) “*Fair Market Value*” means, unless otherwise determined by the Committee, the closing price of a share of Common Stock on the Applicable Exchange on the date of measurement, or if Shares were not traded on the Applicable Exchange on such measurement date, then on the next preceding date on which Shares were traded, all as reported by such source as the Committee may select. If the Common Stock is not listed on a national securities exchange, Fair Market Value shall be determined by the Committee in its good faith discretion, taking into account, to the extent appropriate, the requirements of Section 409A of the Code.

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(w) “*Free-Standing SAR*” has the meaning set forth in Section 5(b).

(x) “*Grant Date*” means (i) the date on which the Committee by resolution selects an Eligible Individual to receive a grant of an Award and determines the number of Shares to be subject to such Award or the formula for earning a number of shares or cash amount, (ii) such later date as the Committee shall provide in such resolution or (iii) the initial date on which an Adjusted Award was granted under the IAC Long Term Incentive Plan.

(y) “*Group*” shall have the meaning given in Section 13(d)(3) and 14(d)(2) of the Exchange Act.

(z) “*IAC*” means IAC/InterActiveCorp, a Delaware corporation.

(aa) “*Incentive Stock Option*” means any Option that is designated in the applicable Award Agreement as an “incentive stock option” within the meaning of Section 422 of the Code, and that in fact so qualifies.

(bb) “*Individual Agreement*” means an employment, consulting or similar agreement between a Participant and the Company or one of its Subsidiaries or Affiliates.

(cc) “*Nasdaq*” means the National Association of Securities Dealers Inc. Automated Quotation System.

(dd) “*Nonqualified Option*” means any Option that is not an Incentive Stock Option.

(ee) “*Option*” means an Award granted under Section 5.

(ff) “*Participant*” means an Eligible Individual to whom an Award is or has been granted.

(gg) “*Performance Goals*” means the performance goals established by the Committee in connection with the grant of Restricted Stock, Restricted Stock Units or Bonus Awards or other stock-based awards. In the case of Qualified-Performance Based Awards, (i) such goals shall be based on the attainment of one or any combination of the following: specified levels of earnings per share from continuing operations, net profit after tax, EBITDA, EBITA, gross profit, cash generation, unit volume, market share, sales, asset quality, earnings per share, operating income, revenues, return on assets, return on operating assets, return on equity, profits, total stockholder return (measured in terms of stock price appreciation and/or dividend growth), cost saving levels, marketing-spending efficiency, core non-interest income, change in working capital, return on capital, and/or stock price, with respect to the Company or any Subsidiary, Affiliate, division or department of the Company and (ii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations. Such Performance Goals also may be based upon the attaining of specified levels of Company, Subsidiary, Affiliate or divisional performance under one or more of the measures described above relative to the performance of other entities, divisions or subsidiaries.

(hh) “*Plan*” means this Tree.com, Inc. 2008 Stock and Annual Incentive Plan, as set forth herein and as hereafter amended from time to time.

(ii) “*Plan Year*” means the calendar year or, with respect to Bonus Awards, the Company’s fiscal year if different.

(jj) “*Qualified Performance-Based Award*” means an Award intended to qualify for the Section 162(m) Exemption, as provided in Section 11.

(kk) “*Restricted Stock*” means an Award granted under Section 6.

(ll) “*Restricted Stock Units*” means an Award granted under Section 7.

(mm) “*Resulting Voting Power*” shall mean the outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent governing body, if applicable) of the entity resulting from a Business Combination (including, without

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limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries).

- (nn) "*Retirement*" means retirement from active employment with the Company, a Subsidiary or Affiliate at or after the Participant's attainment of age 65.
- (oo) "*Section 162(m) Exemption*" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.
- (pp) "*Separation*" has the meaning set forth in the Employee Matters Agreement.
- (qq) "*Share*" means a share of Common Stock.
- (rr) "*Specified Employee*" shall mean any individual who is a "key employee" (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) with respect to the Company and its Affiliates, as determined by the Company (or the Affiliate, in the event that the Affiliate and the Company are not considered a single employer under Sections 414(b) or 414(c) of the Code) in accordance with its uniform policy with respect to all arrangements subject to Section 409A of the Code, based upon the twelve (12) month period ending on each December 31st. All individuals who are determined to be key employees under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code (without regard to paragraph (5) thereof) on December 31st shall be treated as Specified Employees for purposes of the Plan during the twelve (12) month period that begins on the following April 1st.
- (ss) "*Stock Appreciation Right*" has the meaning set forth in Section 5(b).
- (tt) "*Subsidiary*" means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor to the Company.
- (uu) "*Tandem SAR*" has the meaning set forth in Section 5(b).
- (vv) "*Term*" means the maximum period during which an Option or Stock Appreciation Right may remain outstanding, subject to earlier termination upon Termination of Employment or otherwise, as specified in the applicable Award Agreement.

(ww) "*Termination of Employment*" means the termination of the applicable Participant's employment with, or performance of services for, the Company and any of its Subsidiaries or Affiliates. Unless otherwise determined by the Committee, if a Participant's employment with, or membership on a board of directors of the Company and its Affiliates terminates but such Participant continues to provide services to the Company and its Affiliates in a non-employee director capacity or as an employee, as applicable, such change in status shall not be deemed a Termination of Employment. A Participant employed by, or performing services for, a Subsidiary or an Affiliate or a division of the Company and its Affiliates shall be deemed to incur a Termination of Employment if, as a result of a Disaffiliation, such Subsidiary, Affiliate, or division ceases to be a Subsidiary, Affiliate or division, as the case may be, and the Participant does not immediately thereafter become an employee of (or service provider for), or member of the board of directors of, the Company or another Subsidiary or Affiliate. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Subsidiaries and Affiliates shall not be considered Terminations of Employment. Notwithstanding the foregoing, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, "Termination of Employment" shall mean a "separation from service" as defined under Section 409A of the Code. For the avoidance of doubt, the Separation shall not constitute a Termination of Employment for purposes of any Adjusted Award.

## Section 2. Administration

(a) *Committee*. The Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as the Board may from time to time designate (the "*Committee*"), which shall be composed of not less than two directors, and shall be appointed by and serve at the pleasure of the Board. The Committee shall, subject to Section 11, have plenary authority to grant Awards pursuant to the terms of the Plan to Eligible Individuals. Among other things, the Committee shall have the authority, subject to the terms and conditions of the Plan and the Employee Matters Agreement (including the original terms of the grant of the Adjusted Award):

- (i) to select the Eligible Individuals to whom Awards may from time to time be granted;
- (ii) to determine whether and to what extent Incentive Stock Options, Nonqualified Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, other stock-based awards, or any combination thereof, are to be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to determine the terms and conditions of each Award granted hereunder, based on such factors as the Committee shall determine;
- (v) subject to Section 12, to modify, amend or adjust the terms and conditions of any Award;
- (vi) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;
- (vii) subject to Section 11, to accelerate the vesting or lapse of restrictions of any outstanding Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (viii) to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto);
- (ix) to establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable;

- (x) to determine whether, to what extent, and under what circumstances cash, Shares, and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;
- (xi) to decide all other matters that must be determined in connection with an Award; and
- (xii) to otherwise administer the Plan.

(b) *Procedures.*

- (i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange and subject to Section 11, allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it.
- (ii) Subject to Section 11(c), any authority granted to the Committee may also be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(c) *Discretion of Committee.* Subject to Section 1(h), any determination made by the Committee or by an appropriately delegated officer pursuant to delegated authority under the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate

at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company, Participants, and Eligible Individuals.

(d) *Award Agreements.* The terms and conditions of each Award, as determined by the Committee, shall be set forth in an Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. The effectiveness of an Award shall not be subject to the Award Agreement's being signed by the Company and/or the Participant receiving the Award unless specifically so provided in the Award Agreement. Award Agreements may be amended only in accordance with Section 12 hereof. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, in the event that any term of an Award Agreement conflicts with any provision of the Plan that specifically pertains to Section 409A of the Code, the provision of the Plan shall govern.

### **Section 3. Common Stock Subject to Plan**

(a) *Plan Maximums.* The maximum number of Shares that may be delivered pursuant to Awards under the Plan shall be the sum of (a) the number of Shares that may be issuable upon exercise or vesting of the Adjusted Awards and (b) 2,750,000. The maximum number of Shares that may be granted pursuant to Options intended to be Incentive Stock Options shall be 1,833,333 Shares. Shares subject to an Award under the Plan may be authorized and unissued Shares or may be treasury Shares.

(b) *Individual Limits.* No Participant may be granted Awards covering in excess of 1,833,333 Shares during the term of the Plan; *provided* that Adjusted Awards shall not be subject to this limitation.

(c) *Rules for Calculating Shares Delivered.*

- (i) With respect to Awards other than Adjusted Awards, to the extent that any Award is forfeited, or any Option and the related Tandem SAR (if any) or Free-Standing SAR terminates, expires or lapses without being exercised (specifically including the Award contemplated by clause (iii) below), or any Award is settled for cash, (A) the Shares subject to such Awards not delivered as a result thereof shall again be available for Awards under the Plan and (B) other than with respect to any Awards settled for cash, such Shares shall no longer be counted when calculating the respective Participant's individual limit set forth in Section 3(b).
- (ii) With respect to Awards other than Adjusted Awards, if the exercise price of any Option and/or the tax withholding obligations relating to any Award are satisfied by delivering Shares to the Company (by either actual delivery or by attestation), only the number of Shares issued net of the Shares delivered or attested to shall be deemed delivered for purposes of the limits set forth in Section 3(a). To the extent any Shares subject to an Award are withheld to satisfy the exercise price (in the case of an Option) and/or the tax withholding obligations relating to such Award, such Shares shall not be deemed to have been delivered for purposes of the limits set forth in Section 3(a).
- (iii) Notwithstanding anything in this Plan to the contrary (including Sections 5(d) and 12(c) hereof), Douglas R. Lebda may surrender for cancellation an option to purchase 589,500 shares of Common Stock with an exercise price of \$25.43 per share awarded on August 21, 2008 and the Shares subject to such Option shall be available for future Awards under the Plan (including to Mr. Lebda) immediately following such surrender.

(d) *Adjustment Provision.* In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, Disaffiliation, or similar event affecting the Company or any of its Subsidiaries (each, a "*Corporate Transaction*"), the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (ii) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (iii) the number and kind of Shares or other securities subject to outstanding Awards; and (iv) the exercise price of outstanding Options and Stock Appreciation Rights. In the event of a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination, or recapitalization or similar event affecting the capital structure of the Company (each, a "*Share Change*"), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number

and kind of Shares or other securities reserved for issuance and delivery under the Plan, (ii) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (iii) the number and kind of Shares or other securities subject to outstanding Awards; and (iv) the exercise price of outstanding Options and Stock Appreciation Rights. In the case of Corporate Transactions, such adjustments may include, without limitation, (1) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which stockholders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Option or Stock Appreciation Right shall conclusively be deemed valid); (2) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Awards; and (3) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities). The Committee may adjust in its sole discretion the Performance Goals applicable to any Awards to reflect any Share Change and any Corporate Transaction and any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or the Company's other SEC filings, *provided* that in the case of Performance Goals applicable to any Qualified Performance-Based Awards, such adjustment does not violate Section 162(m) of the Code. Any adjustment under this Section 3(d) need not be the same for all Participants.

(e) *Section 409A.* Notwithstanding the foregoing: (i) any adjustments made pursuant to Section 3(d) to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (ii) any adjustments made pursuant to Section 3(d) to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code; and (iii) in any event, neither the Committee nor the Board shall have the authority to make any adjustments pursuant to Section 3(d) to

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the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the Grant Date to be subject thereto as of the Grant Date.

#### **Section 4. Eligibility**

Awards may be granted under the Plan to Eligible Individuals and, with respect to Adjusted Awards, in accordance with the terms of the Employee Matters Agreement; *provided, however*, that Incentive Stock Options may be granted only to employees of the Company and its subsidiaries or parent corporation (within the meaning of Section 424(f) of the Code) and, with respect to Adjusted Awards that are intended to qualify as incentive stock options within the meaning of Section 421 of the Code, in accordance with the terms of the Employee Matters Agreement.

#### **Section 5. Options and Stock Appreciation Rights**

With respect to Adjusted Awards, the provisions below will be applicable only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the Adjusted Award assumed under the Employee Matters Agreement:

(a) *Types of Options.* Options may be of two types: Incentive Stock Options and Non-qualified Options. The Award Agreement for an Option shall indicate whether the Option is intended to be an Incentive Stock Option or a Nonqualified Option.

(b) *Types and Nature of Stock Appreciation Rights.* Stock Appreciation Rights may be "Tandem SARs," which are granted in conjunction with an Option, or "Free-Standing SARs," which are not granted in conjunction with an Option. Upon the exercise of a Stock Appreciation Right, the Participant shall be entitled to receive an amount in cash, Shares, or both, in value equal to the product of (i) the excess of the Fair Market Value of one Share over the exercise price of the applicable Stock Appreciation Right, multiplied by (ii) the number of Shares in respect of which the Stock Appreciation Right has been exercised. The applicable Award Agreement shall specify whether such payment is to be made in cash or Common Stock or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the Stock Appreciation Right.

(c) *Tandem SARs.* A Tandem SAR may be granted at the Grant Date of the related Option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Option is exercisable in accordance with the provisions of this Section 5, and shall have the same exercise price as the related Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Option, and the related Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

(d) *Exercise Price.* The exercise price per Share subject to an Option or Free-Standing SAR shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a share of the Common Stock on the applicable Grant Date. In no event may any Option or Free-Standing SAR granted under this Plan be amended, other than pursuant to Section 3(d), to decrease the exercise price thereof, be cancelled in conjunction with the grant of any new Option or Free-Standing SAR with a lower exercise price or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option or Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company's stockholders.

(e) *Term.* The Term of each Option and each Free-Standing SAR shall be fixed by the Committee, but shall not exceed ten years from the Grant Date.

(f) *Vesting and Exercisability.* Except as otherwise provided herein, Options and Free-Standing SARs shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides that any Option or Free-Standing SAR will become exercisable only in installments, the Committee may at any time waive such installment exercise

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provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may at any time accelerate the exercisability of any Option or Free-Standing SAR.

(g) *Method of Exercise.* Subject to the provisions of this Section 5, Options and Free-Standing SARs may be exercised, in whole or in part, at any time during the applicable Term by giving written notice of exercise to the Company or through the procedures established with the Company's appointed third-party Option administrator specifying the number of Shares as to which the Option or Free-Standing SAR is being exercised; *provided, however,* that, unless otherwise permitted by the Committee, any such exercise must be with respect to a portion of the applicable Option or Free-Standing SAR relating to no less than the lesser of the number of Shares then subject to such Option or Free-Standing SAR or 100 Shares. In the case of the exercise of an Option, such notice shall be accompanied by payment in full of the purchase price (which shall equal the product of such number of Shares multiplied by the applicable exercise price) by certified or bank check or such other instrument as the Company may accept. If approved by the Committee, payment, in full or in part, may also be made as follows:

- (i) Payments may be made in the form of unrestricted Shares (by delivery of such Shares or by attestation) of the same class as the Common Stock subject to the Option already owned by the Participant (based on the Fair Market Value of the Common Stock on the date the Option is exercised); *provided, however,* that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned Shares of the same class as the Common Stock subject to the Option may be authorized only at the time the Option is granted.
- (ii) To the extent permitted by applicable law, payment may be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may, to the extent permitted by applicable law, enter into agreements for coordinated procedures with one or more brokerage firms. To the extent permitted by applicable law, the Committee may also provide for Company loans to be made for purposes of the exercise of Options.
- (iii) Payment may be made by instructing the Company to withhold a number of Shares having a Fair Market Value (based on the Fair Market Value of the Common Stock on the date the applicable Option is exercised) equal to the product of (A) the exercise price multiplied by (B) the number of Shares in respect of which the Option shall have been exercised.

(h) *Delivery; Rights of Stockholders.* No Shares shall be delivered pursuant to the exercise of an Option until the exercise price therefor has been fully paid and applicable taxes have been withheld. The applicable Participant shall have all of the rights of a stockholder of the Company holding the class or series of Common Stock that is subject to the Option or Stock Appreciation Right (including, if applicable, the right to vote the applicable Shares and the right to receive dividends), when the Participant (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 14(a), and (iii) in the case of an Option, has paid in full for such Shares.

(i) *Terminations of Employment.* Subject to Section 10, a Participant's Options and Stock Appreciation Rights shall be forfeited upon such Participant's Termination of Employment, except as set forth below:

- (i) Upon a Participant's Termination of Employment by reason of death, any Option or Stock Appreciation Right held by the Participant that was exercisable immediately before the Termination of Employment may be exercised at any time until the earlier of (A) the first anniversary of the date of such death and (B) the expiration of the Term thereof;
- (ii) Upon a Participant's Termination of Employment by reason of Disability or Retirement, any Option or Stock Appreciation Right held by the Participant that was exercisable immediately

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before the Termination of Employment may be exercised at any time until the earlier of (A) the first anniversary of such Termination of Employment and (B) the expiration of the Term thereof;

- (iii) Upon a Participant's Termination of Employment for Cause, any Option or Stock Appreciation Right held by the Participant shall be forfeited, effective as of such Termination of Employment;
- (iv) Upon a Participant's Termination of Employment for any reason other than death, Disability, Retirement or for Cause, any Option or Stock Appreciation Right held by the Participant that was exercisable immediately before the Termination of Employment may be exercised at any time until the earlier of (A) the 90th day following such Termination of Employment and (B) expiration of the Term thereof; and
- (v) Notwithstanding the above provisions of this Section 5(i), if a Participant dies after such Participant's Termination of Employment but while any Option or Stock Appreciation Right remains exercisable as set forth above, such Option or Stock Appreciation Right may be exercised at any time until the later of (A) the earlier of (1) the first anniversary of the date of such death and (2) expiration of the Term thereof and (B) the last date on which such Option or Stock Appreciation Right would have been exercisable, absent this Section 5(i)(v).

Notwithstanding the foregoing, the Committee shall have the power, in its discretion, to apply different rules concerning the consequences of a Termination of Employment; *provided, however,* that if such rules are less favorable to the Participant than those set forth above, such rules are set forth in the applicable Award Agreement. If an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Option will thereafter be treated as a Nonqualified Option.

(j) *Nontransferability of Options and Stock Appreciation Rights.* No Option or Free-Standing SAR shall be transferable by a Participant other than (i) by will or by the laws of descent and distribution, or (ii) in the case of a Nonqualified Option or Free-Standing SAR, pursuant to a qualified domestic relations order or as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to the Participant's family members or

to a charitable organization, whether directly or indirectly or by means of a trust or partnership or otherwise. For purposes of this Plan, unless otherwise determined by the Committee, "family member" shall have the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto. A Tandem SAR shall be transferable only with the related Option as permitted by the preceding sentence. Any Option or Stock Appreciation Right shall be exercisable, subject to the terms of this Plan, only by the applicable Participant, the guardian or legal representative of such Participant, or any person to whom such Option or Stock Appreciation Right is permissibly transferred pursuant to this Section 5(j), it being understood that the term "Participant" includes such guardian, legal representative and other transferee; *provided, however*, that the term "Termination of Employment" shall continue to refer to the Termination of Employment of the original Participant.

## Section 6. Restricted Stock

With respect to Adjusted Awards, the provisions below will be applicable only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the Adjusted Award assumed under the Employee Matters Agreement:

(a) *Nature of Awards and Certificates.* Shares of Restricted Stock are actual Shares issued to a Participant, and shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of Shares of Restricted Stock shall be registered in the name of the applicable Participant and, in the case

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of Restricted Stock, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Tree.com, Inc. 2008 Stock and Annual Incentive Plan and an Award Agreement. Copies of such Plan and Agreement are on file at the offices of Tree.com, Inc., 11115 Rushmore Drive, Charlotte, NC 28277."

The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(b) *Terms and Conditions.* Shares of Restricted Stock shall be subject to the following terms and conditions:

- (i) The Committee shall, prior to or at the time of grant, condition the vesting or transferability of an Award of Restricted Stock upon the continued service of the applicable Participant or the attainment of Performance Goals, or the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the grant or vesting of an Award of Restricted Stock upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate such an Award as a Qualified Performance-Based Award. The conditions for grant, vesting, or transferability and the other provisions of Restricted Stock Awards (including without limitation any Performance Goals) need not be the same with respect to each Participant.
- (ii) Subject to the provisions of the Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such Restricted Stock Award for which such vesting restrictions apply and until the expiration of such vesting restrictions (the "Restriction Period"), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Shares of Restricted Stock.
- (iii) Except as provided in this Section 6 and in the applicable Award Agreement, the applicable Participant shall have, with respect to the Shares of Restricted Stock, all of the rights of a stockholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the Shares and the right to receive any cash dividends. If so determined by the Committee in the applicable Award Agreement and subject to Section 14(e), (A) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be automatically deferred and reinvested in additional Restricted Stock, held subject to the vesting of the underlying Restricted Stock, and (B) subject to any adjustment pursuant to Section 3(d), dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class as the Common Stock with which such dividend was paid, held subject to the vesting of the underlying Restricted Stock.
- (iv) Except as otherwise set forth in the applicable Award Agreement, upon a Participant's Termination of Employment for any reason during the Restriction Period, all Shares of Restricted Stock still subject to restriction shall be forfeited by such Participant; *provided, however*, that subject to Section 11(b), the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions with respect to any or all of such Participant's Shares of Restricted Stock.
- (v) If and when any applicable Performance Goals are satisfied and the Restriction Period expires without a prior forfeiture of the Shares of Restricted Stock for which legended certificates

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have been issued, unlegended certificates for such Shares shall be delivered to the Participant upon surrender of the legended certificates.

## Section 7. Restricted Stock Units

With respect to Adjusted Awards, the provisions below will be applicable only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the Adjusted Award assumed under the Employee Matters Agreement:

(a) *Nature of Awards.* Restricted Stock Units are Awards denominated in Shares that will be settled, subject to the terms and conditions of the Restricted Stock Units, in an amount in cash, Shares or both, based upon the Fair Market Value of a specified number of Shares.

(b) *Terms and Conditions.* Restricted Stock Units shall be subject to the following terms and conditions:

- (i) The Committee shall, prior to or at the time of grant, condition the grant, vesting, or transferability of Restricted Stock Units upon the continued service of the applicable Participant or the attainment of Performance Goals, or the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the grant or vesting of Restricted Stock Units upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate such Awards as Qualified Performance-Based Awards. The conditions for grant, vesting or transferability and the other provisions of Restricted Stock Units (including without limitation any Performance Goals) need not be the same with respect to each Participant. Except as otherwise provided in Section 7(b)(iv) or in the applicable Award Agreement, an Award of Restricted Stock Units shall be settled if and when the Restricted Stock Units vest (but in no event later than two and a half months after the end of the fiscal year in which the Restricted Stock Unit vest).
- (ii) Subject to the provisions of the Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such Restricted Stock Units for which such vesting restrictions apply and until the expiration of such vesting restrictions (the “*Restriction Period*”), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Restricted Stock Units.
- (iii) The Award Agreement for Restricted Stock Units shall specify whether, to what extent and on what terms and conditions the applicable Participant shall be entitled to receive current or deferred payments of cash, Common Stock or other property corresponding to the dividends payable on the Common Stock (subject to Section 14(e) below).
- (iv) Except as otherwise set forth in the applicable Award Agreement, upon a Participant’s Termination of Employment for any reason during the Restriction Period, all Restricted Stock Units still subject to restriction shall be forfeited by such Participant; *provided, however*, that subject to Section 11(b), the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions with respect to any or all of such Participant’s Restricted Stock Units, provided, however, if any of such Participant’s Restricted Stock Units constitute a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, settlement of such Restricted Stock Units shall not occur until the earliest of (1) the date such Restricted Stock Units would otherwise be settled pursuant to the terms of the Award Agreement or (2) the Participant’s “separation of service” within the meaning of Section 409A of the Code.

## Section 8. Other Stock-Based Awards

Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon or settled in, Common Stock, including (without limitation),

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unrestricted stock, performance units, dividend equivalents, and convertible debentures, may be granted under the Plan.

## Section 9. Bonus Awards

(a) *Determination of Awards.* The Committee shall determine the total amount of Bonus Awards for each Plan Year or such shorter performance period as the Committee may establish in its sole discretion. Prior to the beginning of the Plan Year or such shorter performance period as the Committee may establish in its sole discretion (or such later date as may be prescribed by the Internal Revenue Service under Section 162(m) of the Code), the Committee shall establish Performance Goals for Bonus Awards for the Plan Year or such shorter period; *provided*, that such Performance Goals may be established at a later date for Participants who are not “covered employees” (within the meaning of Section 162(m)(3) of the Code). Bonus amounts payable to any individual Participant with respect to a Plan Year will be limited to a maximum of \$10 million. For performance periods that are shorter than a Plan Year, such \$10 million maximum may be prorated if so determined by the Committee.

(b) *Payment of Awards.* Bonus Awards under the Plan shall be paid in cash or in shares of Common Stock (valued at Fair Market Value as of the date of payment) as determined by the Committee, as soon as practicable following the close of the Plan Year or such shorter performance period as the Committee may establish. It is intended that a Bonus Award will be paid no later than the fifteenth (15th) day of the third month following the later of: (i) the end of the Participant’s taxable year in which the requirements for such Bonus Award have been satisfied by the Participant or (ii) the end of the Company’s fiscal year in which the requirements for such Bonus Award have been satisfied by the Participant. The Committee may at its option establish procedures pursuant to which Participants are permitted to defer the receipt of Bonus Awards payable hereunder. The Bonus Award for any Plan Year or such shorter performance period to any Participant may be reduced or eliminated by the Committee in its discretion.

## Section 10. Change in Control Provisions

(a) *Adjusted Awards.* With respect to all Adjusted Awards, subject to Sections 3(d), 3(e), 10(e) and 14(k) unless otherwise provided in the applicable Award Agreement, notwithstanding any other provision of this Plan to the contrary, upon a Participant’s Termination of Employment, during the two-year period following a Change in Control, by the Company other than for Cause or Disability or by the Participant for Good Reason (as defined below):

- (i) any Options outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be fully exercisable and vested and shall remain exercisable until the later of (i) the last date on which such Option would be exercisable in the absence of this Section 10(a) and (ii) the earlier of (A) the first anniversary of such Change in Control and (B) expiration of the Term of such Option;
- (ii) the restrictions and deferral limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall become free of all restrictions and become fully vested and transferable; and
- (iii) all Restricted Stock Units outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be considered to be earned and payable in full, and any restrictions shall lapse and such Restricted Stock Units shall be settled as promptly as is practicable in the form set forth in the applicable Award Agreement; provided, however, that with respect to any Restricted Stock Unit that

“change in the ownership of the corporation,” a “change in effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation,” within the meaning of Section 409A(a)(2)(A)(v) of the Code, (2) the date such Restricted Stock Units would otherwise be settled pursuant to the terms of the Award Agreement and (3) the Participant’s “separation of service” within the meaning of Section 409A of the Code.

(b) *Impact of Event on Awards other than Adjusted Awards.* Subject to paragraph (e) of this Section 10, and paragraph (d) of Section 12, unless otherwise provided in any applicable Award Agreement and except as otherwise provided in paragraph (a) of this Section 10, in connection with a Change of Control, the Committee may make such adjustments and/or settlements of outstanding Awards as it deems appropriate and consistent with the Plan’s purposes, including, without limitation, the acceleration of vesting of Awards either upon a Change of Control or upon various terminations of employment following a Change of Control. The Committee may provide for such adjustments as a term of the Award or may make such adjustments following the granting of the Award.

(c) *Definition of Change in Control.* For purposes of the Plan, unless otherwise provided in an option agreement or other agreement relating to an Award, a “Change in Control” shall mean the happening of any of the following events:

- (i) The acquisition by any individual, entity or Group (a “Person”), other than the Company, of Beneficial Ownership of equity securities of the Company representing more than 50% of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the “*Outstanding Company Voting Securities*”); *provided, however*, that any acquisition that would constitute a Change in Control under this subsection (i) that is also a Business Combination shall be determined exclusively under subsection (iii) below; or
- (ii) Individuals who, as of the Effective Date, constitute the Board (the “*Incumbent Directors*”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors at such time shall become an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iii) Consummation of a reorganization, merger, consolidation, sale or other disposition of all or substantially all of the assets of the Company, the purchase of assets or stock of another entity, or other similar corporate transaction (a “*Business Combination*”), in each case, unless immediately following such Business Combination, (A) more than 50% of the Resulting Voting Power shall reside in Outstanding Company Voting Securities retained by the Company’s stockholders in the Business Combination and/or voting securities received by such stockholders in the Business Combination on account of Outstanding Company Voting Securities, and (B) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination were Incumbent Directors at the time of the initial agreement, or action of the Board, providing for such Business Combination; or
- (iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, the Separation shall not constitute a Change in Control. For the avoidance of doubt, with respect to Adjusted Awards, any reference in an Award Agreement or the

applicable IAC Long Term Incentive Plan to a “change in control,” “change of control” or similar definition shall be deemed to refer to a Change of Control hereunder.

(d) For purposes of this Section 10, “Good Reason” means (i) “Good Reason” as defined in any Individual Agreement or Award Agreement to which the applicable Participant is a party, or (ii) if there is no such Individual Agreement or if it does not define Good Reason, without the Participant’s prior written consent: (A) a material reduction in the Participant’s rate of annual base salary from the rate of annual base salary in effect for such Participant immediately prior to the Change in Control, (B) a relocation of the Participant’s principal place of business more than 35 miles from the city in which such Participant’s principal place of business was located immediately prior to the Change in Control or (C) a material and demonstrable adverse change in the nature and scope of the Participant’s duties from those in effect immediately prior to the Change in Control. In order to invoke a Termination of Employment for Good Reason, a Participant shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (A) through (C) within 90 days following the Participant’s knowledge of the initial existence of such condition or conditions, and the Company shall have 30 days following receipt of such written notice (the “*Cure Period*”) during which it may remedy the condition. In the event that the Company fails to remedy the condition constituting Good Reason during the Cure Period, the Participant must terminate employment, if at all, within 90 days following the Cure Period in order for such Termination of Employment to constitute a Termination of Employment for Good Reason.

(e) Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 10 shall be applicable only to the extent specifically provided in the Award Agreement and as permitted pursuant to Section 14(k).

#### **Section 11. Qualified Performance-Based Awards; Section 16(b)**

(a) The provisions of this Plan are intended to ensure that all Options and Stock Appreciation Rights granted hereunder to any Participant who is or may be a “covered employee” (within the meaning of Section 162(m)(3) of the Code) in the tax year in which such Option or Stock Appreciation Right is expected to be deductible to the Company qualify for the Section 162(m) Exemption, and all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intention (including, without limitation, to require that all such Awards be granted by a committee composed solely of members who satisfy the requirements for being “outside directors” for purposes of the

Section 162(m) Exemption (“*Outside Directors*”). When granting any Award other than an Option or Stock Appreciation Right, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that (i) the recipient is or may be a “covered employee” (within the meaning of Section 162(m)(3) of the Code) with respect to such Award, and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption, and the terms of any such Award (and of the grant thereof) shall be consistent with such designation (including, without limitation, that all such Awards be granted by a committee composed solely of Outside Directors).

(b) Each Qualified Performance-Based Award (other than an Option or Stock Appreciation Right) shall be earned, vested and payable (as applicable) only upon the achievement of one or more Performance Goals (as certified in writing by the Committee, except if compensation is attributable solely to the increase in the value of the Common Stock) (but in no event shall such Award be payable later than two and a half months after the end of the fiscal year in which the Qualified Performance-Based Award becomes earned and vested (as applicable)), together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate, and no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under this Plan with respect to a Qualified Performance-Based Award under this Plan, in any manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption; *provided, however*, that (i) the Committee may

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provide, either in connection with the grant of the applicable Award or by amendment thereafter, that achievement of such Performance Goals will be waived upon the death or Disability of the Participant or under any other circumstance with respect to which the existence of such possible waiver will not cause the Award to fail to qualify for the Section 162(m) Exemption as of the Grant Date, and (ii) the provisions of Section 10 shall apply notwithstanding this Section 11(b).

(c) The full Board shall not be permitted to exercise authority granted to the Committee to the extent that the grant or exercise of such authority would cause an Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption.

(d) The provisions of this Plan are intended to ensure that no transaction under the Plan is subject to (and not exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act (“*Section 16(b)*”). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 promulgated under the Exchange Act) from Section 16(b), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

## **Section 12. Term, Amendment and Termination**

(a) *Effectiveness.* The Plan shall be effective as of the date (the “*Effective Date*”) it is adopted by the Board, subject to the approval by the holders of at least a majority of the voting power represented by outstanding capital stock of the Company that is entitled generally to vote in the election of directors.

(b) *Termination.* The Plan will terminate on the tenth anniversary of the Effective Date. Awards outstanding as of such date shall not be affected or impaired by the termination of the Plan.

(c) *Amendment of Plan.* The Board may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of the Participant with respect to a previously granted Award without such Participant’s consent, except such an amendment made to comply with applicable law, including without limitation Section 409A of the Code, stock exchange rules or accounting rules. In addition, no such amendment shall be made without the approval of the Company’s stockholders to the extent such approval is required by applicable law or the listing standards of the Applicable Exchange.

(d) *Amendment of Awards.* Subject to Section 5(d), the Committee may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption or without the Participant’s consent materially impair the rights of any Participant with respect to an Award, except such an amendment made to cause the Plan or Award to comply with applicable law, stock exchange rules or accounting rules.

## **Section 13. Unfunded Status of Plan**

It is presently intended that the Plan constitute an “unfunded” plan for incentive and deferred compensation. Solely to the extent permitted under Section 409A, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; *provided, however*, that the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan. Notwithstanding any other provision of this Plan to the contrary, with respect to any Award that constitutes a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, no trust shall be funded with respect to any such Award if such funding would result in taxable income to the Participant by reason of Section 409A(b) of the Code and in no event shall any such trust assets at any time be located or transferred outside of the United States, within the meaning of Section 409A(b) of the Code.

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## **Section 14. General Provisions**

(a) *Conditions for Issuance.* The Committee may require each person purchasing or receiving Shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to the distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to fulfillment of all of the following conditions: (i) listing or approval for listing upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or other qualification of such Shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and (iii) obtaining any other

consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) *Additional Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(c) *No Contract of Employment.* The Plan shall not constitute a contract of employment, and adoption of the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment of any employee at any time.

(d) *Required Taxes.* No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to any Award under the Plan, such Participant shall pay to the Company, or make arrangements satisfactory to the Company 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. If determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) *Limitation on Dividend Reinvestment and Dividend Equivalents.* Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Shares with respect to dividends to Participants holding Awards of Restricted Stock Units, shall only be permissible if sufficient Shares are available under Section 3 for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of Restricted Stock Units equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which Restricted Stock Units shall provide for settlement in cash and for dividend equivalent reinvestment in further Restricted Stock Units on the terms contemplated by this Section 14(e).

(f) *Designation of Death Beneficiary.* The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of such Participant's death are to be paid or by whom any rights of such eligible Individual, after such Participant's death, may be exercised.

(g) *Subsidiary Employees.* In the case of a grant of an Award to any employee of a Subsidiary of the Company, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify,

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upon the condition or understanding that the Subsidiary will transfer the Shares to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of the Plan. All Shares underlying Awards that are forfeited or canceled should revert to the Company.

(h) *Governing Law and Interpretation.* The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

(i) *Non-Transferability.* Except as otherwise provided in Section 5(j) or by the Committee, Awards under the Plan are not transferable except by will or by laws of descent and distribution.

(j) *Foreign Employees and Foreign Law Considerations.* The Committee may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions.

(k) *Section 409A of the Code.* It is the intention of the Company that no Award shall be "deferred compensation" subject to Section 409A of the Code, unless and to the extent that the Committee specifically determines otherwise as provided in this Section 14(k), and the Plan and the terms and conditions of all Awards shall be interpreted accordingly. The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or Shares pursuant thereto and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement, and shall comply in all respects with Section 409A of the Code. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" subject to Section 409A of the Code, any payments (whether in cash, Shares or other property) to be made with respect to the Award upon the Participant's Termination of Employment shall be delayed until the earlier of (A) the first day of the seventh month following the Participant's Termination of Employment if the Participant is a "specified employee" within the meaning of Section 409A of the Code and (B) the Participant's death.

(l) *Employee Matters Agreement.* Notwithstanding anything in this Plan to the contrary, to the extent that the terms of this Plan are inconsistent with the terms of an Adjusted Award, the terms of the Adjusted Award shall be governed by the Employee Matters Agreement, the applicable IAC Long-Term Incentive Plan and the award agreement entered into thereunder.

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## TREE.COM REPORTS Q109 RESULTS

**CHARLOTTE, N.C., May 1, 2009** — Tree.com, Inc. (NASDAQ: TREE) today announced Q109 net income of \$3.2 million, which was a \$10.2 million increase over Q408 and a \$13.0 million increase over Q108. Revenue for this first quarter was \$57.3 million, a \$9.2 million increase quarter-over-quarter and a \$12.9 million decrease year-over-year.

Doug Lebda, Chairman and CEO of Tree.com, said, “We are certainly pleased with the results from this quarter, particularly at LendingTree Loans where our investments in technology, lower costs, and better scalability are enabling us to achieve great financial results at an unprecedented time in the mortgage industry. But with that said, we need to remain focused on our core initiatives and continue developing new consumer facing products generating new revenue streams. And, we will certainly need to demonstrate that we can achieve revenue and profit growth in a more normalized mortgage market.”

**Tree.com Summary Financial Results**  
\$s in millions (Except per share amounts)

	Q1 2009		Q4 2008		Q/Q % Change	Q1 2008		Y/Y % Change
<b>Revenue</b>	\$	57.3	\$	48.1	19%	\$	70.2	(18)%
<b>EBITDA</b>	\$	7.9	\$	(2.0)	NM	\$	(3.5)	NM
<b>Adjusted EBITDA</b>	\$	8.8	\$	(0.8)	NM	\$	(3.1)	NM
<b>Net Income/(Loss)</b>	\$	3.2	\$	(7.0)	NM	\$	(9.8)	NM
<b>Net Income/(Loss) Per Share</b>	\$	0.33	\$	(0.75)	NM	\$	(1.05)	NM
<b>Diluted Net Income/(Loss) Per Share</b>	\$	0.32	\$	(0.75)	NM	\$	(1.05)	NM

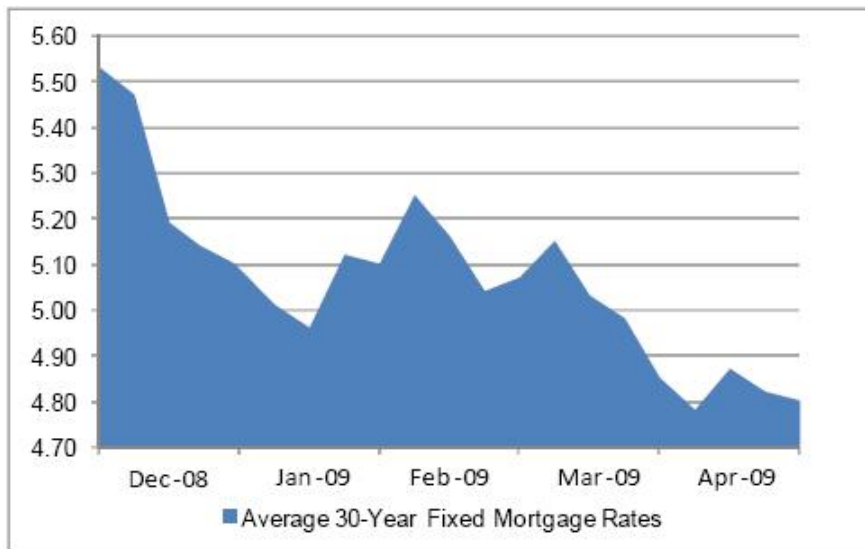
\* NM = Not Meaningful

#### Information Regarding Q1 Results

- Q109 revenue increased 19% from Q408 and decreased 18% from Q108. The quarter-over-quarter improvement in revenue is being driven by LendingTree Loans, which has been positively impacted by continued declining mortgage rates, driving better close rates and resulting in better loan sales execution in the quarter. The year-over-year decrease in revenue is being driven by the Exchanges business, where lenders continue to face production capacity and warehouse availability issues. Additionally, the Real Estate business continues to be negatively impacted by fewer and lower value transactions reflective of the macro-real estate environment.
- Q109 results reflect \$0.9 million of restructuring charges. Q408 and Q108 results were also negatively impacted by \$1.1 million and \$0.4 million of restructuring charges, respectively.
- Exclusive of these restructuring items, Q109 Adjusted EBITDA increased \$9.6 million quarter-over-quarter and \$11.9 million year-over-year. This was primarily driven by an increase in revenue from the origination and sale of loans, as well as reduced marketing spend, both driven by the decreases in mortgage rates, which significantly increased consumer demand without the need to increase our marketing spend. Exclusive of non-cash compensation expense, selling and marketing expense, as a percentage of total revenue, decreased to 24% in Q109 compared to 33% in Q408 and 43% in Q108.

Tree.com CFO Matt Packey added, “While we are pleased to deliver positive earnings per share and sequential quarterly improvements in revenue, we continue to benefit from a declining mortgage rate environment (see chart below). We had concerns towards the middle of Q109, as we saw rates start to tick back up, that we would have to begin spending more heavily on marketing again. However, based on what we have experienced throughout April 2009, and in seeing various market forecasts for continued low rates through the end of 2009, we do not anticipate having to significantly increase our marketing expense to drive additional volume.”

#### Average 30-Year Fixed Mortgage Rate Recent Trends



Source: Freddie Mac: Primary Mortgage Market Survey

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

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## Business Unit Discussion

### LENDINGTREE LOANS SEGMENT

#### LendingTree Loans Segment Results \$s in millions

	Q1 2009	Q4 2008	Q/Q % Change	Q1 2008	Y/Y % Change
<b>Revenue - Direct Lending</b>					
Origination and Sale of Loans	\$ 32.8	\$ 20.2	62%	\$ 28.0	17%
Other	1.6	1.7	(3)%	2.8	(42)%
<b>Total Revenue - Direct Lending</b>	<b>\$ 34.4</b>	<b>\$ 21.9</b>	<b>57%</b>	<b>\$ 30.8</b>	<b>12%</b>
<b>Cost of Revenue *</b>	<b>\$ 11.9</b>	<b>\$ 8.7</b>	<b>(36)%</b>	<b>\$ 11.8</b>	<b>(0)%</b>
<b>Operating Expenses*</b>	<b>\$ 7.4</b>	<b>\$ 10.6</b>	<b>30%</b>	<b>\$ 13.9</b>	<b>46%</b>
<b>EBITDA</b>	<b>\$ 15.1</b>	<b>\$ 2.6</b>	<b>489%</b>	<b>\$ 5.1</b>	<b>194%</b>
<b>Adjusted EBITDA</b>	<b>\$ 15.0</b>	<b>\$ 2.9</b>	<b>419%</b>	<b>\$ 5.5</b>	<b>170%</b>
<b>Metrics - Direct Lending</b>					
Purchased loan requests (000s)	57.7	76.3	(24)%	109.0	(47)%
Closed - units (000s)	3.3	2.3	42%	3.1	6%
Closed - units (dollars)	\$ 714.8	\$ 477.6	50%	\$ 609.8	17%

\* Does not include non-cash compensation expense, depreciation, gain/loss on disposal of assets, or amortization (See reconciliation of EBITDA & Adjusted EBITDA to Operating Income or Loss)

#### LendingTree Loans

LendingTree Loans revenue in Q109 increased 57% compared to Q408, and increased 12% compared to the same period in 2008. Revenue from the origination and sale of loans increased 62% quarter-over-quarter and 17% year-over-year. These increases are attributable to a significant increase in the number and value of closed units and improvements in revenue earned for each loan sold. The current declining mortgage rate environment has significantly enhanced our lead-to-close ratios and we have also seen an increase in consumers paying discount points at origination. Those factors, coupled with higher loan amounts, have enabled us to realize improved gains upon the sale of the loans into the secondary market. The 42% decrease in other revenue year-over-year is primarily related to the closing of the LendingTree Settlement Services business, which ceased operations in October of last year.

Adjusting for the restructuring expense and exclusive of non-cash compensation, depreciation, and amortization, operating expenses declined \$3.6 million quarter-over-quarter and \$6.9 million year-over-year. These decreases were primarily driven by reductions in marketing spend related to the decline in cost-per-leads acquired from the Exchanges and receiving "overflow" leads through a relationship with a lender that received more than their current capacity could handle. Our restructuring efforts in 2008 have also helped reduce our general and administrative expenses by 9% quarter-over-quarter and 26% year-over-year.

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## EXCHANGES SEGMENT

### Exchanges Segment Results



**\$s in millions**

	Q1 2009	Q4 2008	Q/Q % Change	Q1 2008	Y/Y % Change
<b>Revenue - Exchanges</b>					
Match Fees	\$ 10.0	\$ 11.8	(16)%	\$ 19.9	(50)%
Closed Loan Fees	6.4	6.5	(1)%	10.7	(40)%
Inter-segment Revenue	1.9	4.2	(54)%	5.7	(66)%
Other	0.8	0.6	22%	0.8	(2)%
<b>Total Revenue - Exchanges</b>	<b>\$ 19.1</b>	<b>\$ 23.1</b>	<b>(18)%</b>	<b>\$ 37.1</b>	<b>(49)%</b>
<b>Cost of Revenue *</b>	<b>\$ 1.9</b>	<b>\$ 2.4</b>	<b>21%</b>	<b>\$ 3.9</b>	<b>52%</b>
<b>Operating Expenses*</b>	<b>\$ 14.7</b>	<b>\$ 16.8</b>	<b>12%</b>	<b>\$ 32.2</b>	<b>54%</b>
<b>EBITDA</b>	<b>\$ 2.5</b>	<b>\$ 4.0</b>	<b>(38)%</b>	<b>\$ 1.0</b>	<b>153%</b>
<b>Adjusted EBITDA</b>	<b>\$ 2.5</b>	<b>\$ 4.0</b>	<b>(37)%</b>	<b>\$ 1.0</b>	<b>159%</b>
<b>Metrics - Exchanges</b>					
Matched loan requests (000s)	366.3	334.0	10%	569.7	(36)%
Closing - units (000s)	14.3	15.7	(9)%	26.8	(46)%
Closing - units (dollars)	\$ 2,625.0	\$ 2,328.8	13%	\$ 3,690.9	(29)%

\* Does not include non-cash compensation expense, depreciation, gain/loss on disposal of assets, or amortization (See reconciliation of EBITDA & Adjusted EBITDA to Operating Income or Loss)

**Exchanges**

Exchanges' revenue in Q109 decreased 18% compared to Q408, and decreased 49% compared to the same period in 2008. Revenue from match fees decreased 16% quarter-over-quarter and 50% year-over-year. The decreases in match fee revenue are primarily driven by the continued weakening of lender demand for Exchange leads in this low rate environment. Exchange lenders' overall capacity limits are being tested as the lenders are experiencing increases in their organic volume and limited warehouse line availability.

Revenue from closings was relatively flat quarter-over-quarter and decreased 40% year-over-year. Despite lower closing units, close revenue remained flat quarter-over-quarter driven by significantly higher refinance closing units where we earn a higher fee per closing in comparison to our other products. The year-over-year decrease in closing revenue is primarily related to the decrease in matched loan requests related to the lender capacity issues referenced earlier. Inter — segment revenue represents the transfer price of loan requests between the Exchanges and LendingTree Loans. This revenue decreased 54% quarter-over-quarter and 66% year-over-year with the primary driver being reductions in marketing spend on LendingTree.com (the basis for the transfer price).

Adjusting for the restructuring expense and exclusive of non-cash compensation, depreciation, and amortization, operating expenses declined \$2.0 million quarter-over-quarter and \$17.5 million year-over-year. These decreases were primarily driven by reductions in marketing spend as a result of the consumer demand driven by favorable mortgage rate trends and some improvement in organic traffic.

**REAL ESTATE SEGMENT**

**Real Estate Segment Results**  
**\$s in millions**

	Q1 2009	Q4 2008	Q/Q % Change	Q1 2008	Y/Y % Change
<b>Total Revenue - Real Estate</b>	<b>\$ 5.8</b>	<b>\$ 7.5</b>	<b>(24)%</b>	<b>\$ 8.4</b>	<b>(31)%</b>
<b>Cost of Revenue *</b>	<b>\$ 3.9</b>	<b>\$ 4.5</b>	<b>15%</b>	<b>\$ 4.9</b>	<b>20%</b>
<b>Operating Expenses*</b>	<b>\$ 5.6</b>	<b>\$ 4.5</b>	<b>(23)%</b>	<b>\$ 6.0</b>	<b>7%</b>
<b>EBITDA</b>	<b>\$ (3.7)</b>	<b>\$ (1.5)</b>	<b>(140)%</b>	<b>\$ (2.5)</b>	<b>(50)%</b>
<b>Adjusted EBITDA</b>	<b>\$ (2.9)</b>	<b>\$ (1.6)</b>	<b>(85)%</b>	<b>\$ (2.5)</b>	<b>(20)%</b>
<b>Metrics - Real Estate</b>					
Closing - units (000s)	1.2	1.6	(24)%	1.6	(24)%
Closing - units (dollars)	\$ 281.4	\$ 395.1	(29)%	\$ 415.3	(32)%
Agents - RealEstate.com, REALTORS®	1,213	1,174	3%	914	33%
Markets - RealEstate.com, REALTORS®	20	20	0%	15	33%

\* Does not include non-cash compensation expense, depreciation, gain/loss on disposal of assets, or amortization (See reconciliation of EBITDA & Adjusted EBITDA to Operating Income or Loss)

**Real Estate**

Q109 Real Estate revenue decreased about \$1.7 million, or 24%, from Q408, and \$2.6 million, or 31%, from Q108. The primary driver of the quarter-over-quarter and year-over-year decreases in total Real Estate revenue were attributed to declines in our builder and broker referral networks, and to a lesser extent, in our company-owned real estate brokerage, RealEstate.com, REALTORS®, which experienced decreases in closings and transaction values year-over-year from persistent negative market conditions.

Adjusting for the restructuring expense, and exclusive of non-cash compensation, depreciation and amortization, operating expenses increased \$0.3 million quarter-over-quarter and decreased \$1.1 million year-over-year. The quarter-over-quarter increase was primarily driven by \$0.5 million increase in marketing related to our normal seasonal investment in leads as we enter the peak home buying season. The year-over-year decreases in operating expense are primarily

related to decreases in marketing and general and administrative expenses related to the continued progress in marketing efficiency driven by ongoing innovation on the RealEstate.com Web site, as well as prior cost cutting initiatives. Real Estate Adjusted EBITDA for Q109 excludes \$0.7 million of restructuring charges principally related to headcount reductions that will benefit future periods.

CORPORATE

Unallocated Corporate Costs and Eliminations  
\$s in millions

	Q1 2009	Q4 2008	Q/Q % Change	Q1 2008	Y/Y % Change
Inter-segment Revenue - elimination	\$ (1.9)	\$ (4.4)	56%	\$ (6.1)	68%
Cost of Revenue *	\$ 0.6	\$ 0.5	(11)%	\$ 0.6	3%
Inter-segment Marketing - elimination	\$ (1.9)	\$ (4.2)	(54)%	\$ (5.7)	(66)%
Operating Expenses*	\$ 5.5	\$ 6.3	14%	\$ 6.3	13%
EBITDA	\$ (6.0)	\$ (7.0)	15%	\$ (7.2)	17%
Adjusted EBITDA	\$ (5.8)	\$ (6.1)	5%	\$ (7.2)	19%

\* Does not include non-cash compensation expense, depreciation, gain/loss on disposal of assets, or amortization (See reconciliation of EBITDA & Adjusted EBITDA to Operating Income or Loss)

Corporate

The eliminations both in revenue and in marketing are primarily associated with the inter-segment transfer pricing charged from Exchanges to LendingTree Loans for leads. Adjusting for the restructuring expense, and exclusive of non-cash compensation, depreciation, and amortization, operating expenses decreased \$0.1 million quarter-over-quarter and decreased \$1.0 million year-over-year. The quarter-over-quarter and year-over-year decreases in operating expense are primarily related to decreases in general and administrative expenses related to prior cost cutting initiatives.

Liquidity and Capital Resources

As of March 31, 2009, Tree.com had \$81.4 million in cash and cash equivalents compared to \$73.6 million as of December 31, 2008. There were several key drivers of the increase in cash in the period. The first is related to EBITDA of \$7.9 million generated for the quarter. The second is related to \$1.9 million of cash received from the sale of restricted common stock. The third is related to \$3.6 million of positive net working capital changes and a \$0.2 million increase related to a decrease in restricted cash. These increases were partially offset by a \$4.2 million net cash outflow related to timing of the origination and sale of loans and warehouse line activity, as well as \$1.6 million outflow for acquisition payments and capital expenditures in the quarter.

The loans held for sale and warehouse lines of credit balances as of March 31, 2009 were \$85.1 million and \$72.2 million, respectively. In Q408, LendingTree Loans extended one of its \$50 million warehouse lines through December 29, 2009. We have reached an agreement in principle with another lender for a new \$50 million warehouse line with a term expected to be through April 30, 2010.

Conference Call

Tree.com will audiocast its conference call with investors and analysts discussing the Company's first quarter financial results on Friday, May 1, 2009 at 11:00 a.m. Eastern Time (ET). This call will include the disclosure of certain information, including forward-looking information, which may be material to an investor's understanding of Tree.com's business. The live audiocast is open to the public at <http://investor-relations.tree.com/>.

QUARTERLY FINANCIALS

TREE.COM, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
	(In thousands, except per share amounts)	
<b>Revenue</b>		
LendingTree Loans	\$ 34,372	\$ 30,802
Exchanges and other	17,129	31,009
Real Estate	5,759	8,382
<b>Total revenue</b>	<b>57,260</b>	<b>70,193</b>
<b>Cost of revenue</b>		
LendingTree Loans	11,856	11,800
Exchanges and other	2,467	4,471
Real Estate	3,864	4,870
<b>Total cost of revenue (exclusive of depreciation shown separately below)</b>	<b>18,187</b>	<b>21,141</b>
<b>Gross margin</b>	<b>39,073</b>	<b>49,052</b>
<b>Operating expenses</b>		

Selling and marketing expense	13,822	29,927
General and administrative expense	16,694	20,659
Product development	1,608	2,109
Restructuring expense	842	402
Amortization of intangibles	1,263	3,668
Depreciation	1,664	1,775
<b>Total operating expenses</b>	<b>35,893</b>	<b>58,540</b>
<b>Operating income (loss)</b>	<b>3,180</b>	<b>(9,488)</b>
Other income (expense)		
Interest income	48	9
Interest expense	(151)	(109)
Other	—	(2)
<b>Total other income (expense), net</b>	<b>(103)</b>	<b>(102)</b>
<b>Income (loss) before income taxes</b>	<b>3,077</b>	<b>(9,590)</b>
Income tax benefit (expense)	83	(209)
Net income (loss)	\$ 3,160	\$ (9,799)
<b>Weighted average common shares outstanding (a)</b>	<b>9,676</b>	<b>9,328</b>
<b>Weighted average diluted shares outstanding (a)</b>	<b>9,736</b>	<b>9,328</b>
<b>Net income (loss) per share available to common shareholders</b>		
Basic	\$ 0.33	\$ (1.05)
Diluted	\$ 0.32	\$ (1.05)

(a) The weighted average common shares for the three months ended March 31, 2008 are equal to the number of shares outstanding immediately following the spin off from IAC.

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**TREE.COM, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	March 31, 2009 (unaudited)	December 31, 2008
	(In thousands)	
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 81,436	\$ 73,643
Restricted cash and cash equivalents	14,946	15,204
Accounts receivable, net of allowance of \$315 and \$367, respectively	6,470	7,234
Loans held for sale (\$83,109 and \$85,638 measured at fair value, respectively)	85,149	87,835
Prepaid and other current assets	12,106	8,960
<b>Total current assets</b>	<b>200,107</b>	<b>192,876</b>
Property and equipment, net	15,184	17,057
Goodwill	9,285	9,285
Intangible assets, net	64,401	64,663
Other non-current assets	211	202
<b>Total assets</b>	<b>\$ 289,188</b>	<b>\$ 284,083</b>
<b>LIABILITIES:</b>		
Warehouse lines of credit	\$ 72,158	\$ 76,186
Accounts payable, trade	7,120	3,541
Deferred revenue	1,266	1,231
Deferred income taxes	2,290	2,290
Accrued expenses and other current liabilities	36,183	37,146
<b>Total current liabilities</b>	<b>119,017</b>	<b>120,394</b>
Income taxes payable	863	862
Other long-term liabilities	9,251	9,016
Deferred income taxes	15,683	15,683
<b>Total liabilities</b>	<b>144,814</b>	<b>145,955</b>
Commitments and contingencies		
<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 and outstanding 9,978,933 and 9,369,381 shares, respectively	100	94
Additional paid-in capital	897,657	894,577
Accumulated deficit	(753,383)	(756,543)
<b>Total shareholders' equity</b>	<b>144,374</b>	<b>138,128</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 289,188</b>	<b>\$ 284,083</b>

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**TREE.COM, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
(In thousands)		
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 3,160	\$ (9,799)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss on disposal of assets	638	—
Amortization of intangibles	1,263	3,668
Depreciation	1,664	1,775
Non-cash compensation expense	1,177	556
Non-cash restructuring expense	161	337
Deferred income taxes	—	192
Gain on origination and sale of loans held for sale	(32,764)	(28,007)
Loss on impaired loans not sold	61	39
Loss on sale of real estate acquired in satisfaction of loans	34	61
Bad debt expense	79	238
Non-cash interest expense	—	76
Changes in current assets and liabilities:		
Accounts receivable	684	(1,233)
Origination of loans held for sale	(714,441)	(609,307)
Proceeds from sales of loans held for sale	747,332	631,480
Principal payments received on loans held for sale	446	113
Payments to investors for loan repurchases and early payoff obligations	(876)	(1,469)
Prepaid and other current assets	(421)	(424)
Accounts payable and other current liabilities	2,901	6,079
Income taxes payable	(126)	310
Deferred revenue	(14)	(127)
Other, net	287	(181)
<b>Net cash provided by (used in) operating activities</b>	<b>11,245</b>	<b>(5,623)</b>
<b>Cash flows from investing activities:</b>		
Contingent acquisition consideration	—	(14,487)
Acquisitions	(1,000)	—
Capital expenditures	(592)	(1,470)
Other, net	458	4
<b>Net cash used in investing activities</b>	<b>(1,134)</b>	<b>(15,953)</b>
<b>Cash flows from financing activities:</b>		
Borrowing under warehouse lines of credit	592,347	553,141
Repayments of warehouse lines of credit	(596,374)	(553,828)
Principal payments on long-term obligations	—	(20,031)
Transfers to IAC	—	21,774
Capital contributions from IAC	—	14,487
Issuance of common stock	1,909	—
Excess tax benefits from stock-based awards	—	98
(Increase) decrease in restricted cash	(200)	12,511
<b>Net cash (used in) provided by financing activities</b>	<b>(2,318)</b>	<b>28,152</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,793</b>	<b>6,576</b>
Cash and cash equivalents at beginning of period	73,643	45,940
<b>Cash and cash equivalents at end of period</b>	<b>\$ 81,436</b>	<b>\$ 52,516</b>

**TREE'S RECONCILIATION OF SEGMENT RESULTS TO GAAP (\$s in thousands):**

	For the Three Months Ended March 31, 2009:				
	LendingTree Loans	Exchanges	Real Estate	Unallocated	Total
Revenue	\$ 34,372	\$ 19,067	\$ 5,759	\$ (1,938)	\$ 57,260
Cost of revenue	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	5,337	2,791	2,724	5,842	16,694
Product development	150	632	534	292	1,608
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:					
Amortization of intangibles	70	50	1,143	—	1,263

Depreciation	787	199	260	418	1,664
Loss on disposal of assets	—	638	—	—	638
Non-cash compensation	69	113	98	897	1,177
EBITDA	<u>\$ 15,092</u>	<u>\$ 2,478</u>	<u>\$ (3,676)</u>	<u>\$ (5,972)</u>	<u>\$ 7,922</u>
Adjustments to reconcile to Adjusted EBITDA:					
Restructuring expense	(108)	58	733	159	842
Adjusted EBITDA	<u>\$ 14,984</u>	<u>\$ 2,536</u>	<u>\$ (2,943)</u>	<u>\$ (5,813)</u>	<u>\$ 8,764</u>

**For the Three Months Ended March 31, 2008:**

	<u>LendingTree Loans</u>	<u>Exchanges</u>	<u>Real Estate</u>	<u>Unallocated</u>	<u>Total</u>
Revenue	\$ 30,802	\$ 37,060	\$ 8,382	\$ (6,051)	\$ 70,193
Cost of revenue	11,800	3,905	4,870	566	21,141
Gross Margin	19,002	33,155	3,512	(6,617)	49,052
Operating Expenses:					
Selling and marketing expense	6,016	27,436	2,191	(5,716)	29,927
General and administrative expense	7,101	3,709	3,284	6,565	20,659
Product development	344	1,110	655	—	2,109
Restructuring expense	402	—	—	—	402
Amortization of intangibles	70	2,490	1,108	—	3,668
Depreciation	802	186	202	585	1,775
Total operating expenses	14,735	34,931	7,440	1,434	58,540
Operating income (loss)	4,267	(1,776)	(3,928)	(8,051)	(9,488)
Adjustments to reconcile to EBITDA:					
Amortization of intangibles	70	2,490	1,108	—	3,668
Depreciation	802	186	202	585	1,775
Non-cash compensation	—	80	165	311	556
EBITDA	<u>\$ 5,139</u>	<u>\$ 980</u>	<u>\$ (2,453)</u>	<u>\$ (7,155)</u>	<u>\$ (3,489)</u>
Adjustments to reconcile to Adjusted EBITDA:					
Restructuring expense	402	—	—	—	402
Adjusted EBITDA	<u>\$ 5,541</u>	<u>\$ 980</u>	<u>\$ (2,453)</u>	<u>\$ (7,155)</u>	<u>\$ (3,087)</u>

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**For the Three Months Ended December 31, 2008:**

	<u>LendingTree Loans</u>	<u>Exchanges</u>	<u>Real Estate</u>	<u>Unallocated</u>	<u>Total</u>
Revenue	\$ 21,880	\$ 23,149	\$ 7,548	\$ (4,439)	\$ 48,138
Cost of revenue	8,695	2,409	4,562	496	16,162
Gross Margin	13,185	20,740	2,986	(4,935)	31,976
Operating Expenses:					
Selling and marketing expense	4,338	14,780	1,173	(4,211)	16,080
General and administrative expense	5,892	1,581	3,344	5,753	16,570
Product development	161	478	487	230	1,356
Restructuring expense	321	—	(60)	886	1,147
Amortization of intangibles	70	317	1,063	—	1,450
Depreciation	818	199	252	437	1,706
Total operating expenses	11,600	17,355	6,259	3,095	38,309
Operating income (loss)	1,585	3,385	(3,273)	(8,030)	(6,333)
Adjustments to reconcile to EBITDA:					
Amortization of intangibles	70	317	1,063	—	1,450
Depreciation	818	199	252	437	1,706
Non-cash compensation	91	113	428	582	1,214
EBITDA	<u>\$ 2,564</u>	<u>\$ 4,014</u>	<u>\$ (1,530)</u>	<u>\$ (7,011)</u>	<u>\$ (1,963)</u>
Adjustments to reconcile to Adjusted EBITDA:					
Restructuring expense	321	—	(60)	886	1,147
Adjusted EBITDA	<u>\$ 2,885</u>	<u>\$ 4,014</u>	<u>\$ (1,590)</u>	<u>\$ (6,125)</u>	<u>\$ (816)</u>

**About Tree.com, Inc.**

Tree.com, Inc. (NASDAQ: TREE) is the parent of several brands and businesses in the financial services and real estate industries including LendingTree®, LendingTree Loans<sup>SM</sup>, GetSmart®, Home Loan Center, RealEstate.com, iNest®, and RealEstate.com, REALTORS®. Together, they serve as an ally for consumers who are looking to comparison shop loans, real estate and other financial products from multiple businesses and professionals who compete for their business.

Tree.com, Inc. is headquartered in Charlotte, N.C. and maintains operations solely in the United States. For more information, please visit [www.tree.com](http://www.tree.com).

**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 businesses, how the businesses are organized as to segment management, and the focus of the businesses with regards to the types of products or services offered or the target market.

Following the spin-off from IAC, the new chief operating decision maker began to realign the Tree.com businesses into new operating segments. For the first quarter of 2009, management completed its realignment of staffing and direct revenue and costs for each new segment and created reporting structures to enable the chief operating decision maker and management to evaluate the results of operations for each of these new segments on a comparative basis with prior periods. In prior periods, the segments “Lending” and “Real Estate” were presented, which have been changed to “LendingTree Loans”, “Exchanges”, “Real Estate” and “Unallocated”. All items of segment information for prior periods have been restated to conform to the new reportable segment presentation.

The expenses presented 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. Assets and liabilities are not fully allocated to segments for internal purposes.

### **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 as “LendingTree Loans.”

### **Exchanges**

The Exchanges segment consists of online lead generation networks and call centers (principally LendingTree.com and GetSmart.com) that connect consumers and service providers principally in the lending industry.

### **Real Estate**

Real Estate 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, that connects consumers with real estate brokerages around the country, and iNest.com, an online network that matches buyers and builders of new homes.

### **Definition of Tree.com’s Non-GAAP Measures**

*EBITDA* is defined as operating income excluding, if applicable: (1) depreciation expense, (2) gain/loss on disposal of assets, (3) non-cash compensation expense, (4) amortization and impairment of intangibles, (5) goodwill impairment, (6) pro forma adjustments for significant acquisitions, and (7) one-time items. Tree.com believes this measure is useful to investors because it represents the operating results from Tree.com, but excludes the effects of these non-cash expenses. 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.

*Adjusted EBITDA* is defined as EBITDA, which is defined above, excluding restructuring expenses. Tree.com believes this measure is useful to investors because it represents the operating results from Tree.com, but excludes the effects of the expenses. 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 and non-cash compensation. 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.

### **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, 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 of intangibles* is a non-cash expense 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. Tree.com believes that since intangibles represent costs incurred by the acquired company to build value prior to acquisition, they were part of transaction costs.

### **Reconciliation of EBITDA**

For a reconciliation of EBITDA to operating income/(loss) for Tree.com’s operating segments for the three months ended March 31, 2009, December 31, 2008, and March 31, 2008 see table above.

### **Interest Rate Risk**

Tree.com’s exposure to market rate risk for changes in interest rates relates primarily to its interest rate lock commitments, loans held for sale, and LendingTree Loans’ lines of credit.

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

The matters contained in the discussion above may be considered to be “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. Those statements include statements regarding the intent, belief or current expectations of the Company and members of our management team. Factors currently known to management that

could cause actual results to differ materially from those in forward-looking statements include the following: our ability to operate effectively as a separate public entity following our spin-off from IAC in August 2008; additional costs associated with operating as an independent company; volatility in our stock price and trading volume; our ability to obtain financing on acceptable terms; limitations on our ability to enter into transactions due to spin-related restrictions; adverse conditions in the primary and secondary mortgage markets and in the economy; adverse conditions in our industries; adverse conditions in the credit markets; seasonality in our businesses; potential liabilities to secondary market purchasers; changes in our relationships with network lenders, real estate professionals, credit providers and secondary market purchasers; breaches of our network security or the misappropriation or misuse of personal consumer information; our failure to provide competitive service; our failure to maintain brand recognition; our ability to attract and retain customers in a cost-effective manner; our ability to develop new products and services and enhance existing ones; competition from our network lenders and affiliated real estate professionals; our failure to comply with existing or changing laws, rules or regulations, or to obtain and maintain required licenses; failure of our network lenders or other affiliated parties to comply with regulatory requirements; failure to maintain the integrity of our systems and infrastructure; liabilities as a result of privacy regulations; failure to adequately protect our intellectual property rights or allegations of infringement of intellectual property rights; changes in our management; and deficiencies in our disclosure controls and procedures and internal control over financial reporting. These and additional factors to be considered are set forth under "Risk Factors" in our Annual Report on Form 10-K for the period ended December 31, 2008, and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results or expectations.

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