Tree.com, Inc.
Form DEFM14A
August 02, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

TREE.COM, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Not applicable

(2) Aggregate number of securities to which transaction applies:
Not applicable

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
Not applicable

(4) Proposed maximum aggregate value of transaction:
$55,888,536

(5)

Total fee paid:
$6,489

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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11115 Rushmore Drive, Charlotte, North Carolina 28277

Dear Stockholder:

You are invited to attend a special meeting of stockholders of Tree.com, Inc., which will be held on August 26, 2011 at 9:00 a.m., local time, at Tree.com's corporate headquarters at 11115 Rushmore Drive, Charlotte, North Carolina 28277.

On May 12, 2011, Tree.com, Inc. and its wholly-owned subsidiaries LendingTree, LLC, Home Loan Center, Inc. and HLC Escrow, Inc. entered into an asset purchase agreement with Discover Bank, a wholly owned subsidiary of Discover Financial Services, pursuant to which Tree.com, Inc. and its subsidiaries have agreed to sell substantially all of the operating assets of Home Loan Center, Inc.'s LendingTree Loans business, which we refer to as the HLC asset sale transaction. Tree.com's board of directors has unanimously approved the HLC asset sale transaction and recommends that stockholders vote in favor of such transaction.

At the special meeting of stockholders, you will be asked to approve the HLC asset sale transaction and to approve, on a non-binding advisory basis, the compensation to certain of our named executive officers in connection with the HLC asset sale transaction. If there are insufficient votes to approve the HLC asset sale transaction, you may be asked to vote to adjourn or postpone the special meeting of stockholders to solicit additional proxies. The HLC asset sale transaction is conditioned upon receiving approval from the holders of a majority of the shares of common stock of Tree.com, Inc. outstanding and entitled to vote thereon.

The accompanying proxy statement contains important information concerning the HLC asset sale transaction, certain benefits to be received by an executive officer of Tree.com in connection with the HLC asset sale transaction, specific information about the special meeting and how to cast your vote. We encourage you to read the accompanying proxy statement in its entirety.

Your vote is very important. Whether or not you plan to attend the special meeting of stockholders, please vote by proxy over the Internet, by telephone or by mailing the enclosed proxy card. If your shares of Tree.com, Inc. common stock are held in "street name" by your broker, bank or other nominee, then in order to vote you will need to instruct your broker, bank or other nominee on how to vote your shares using the instructions provided by your broker, trust, bank or other nominee.

I look forward to greeting those of you who will be able to attend the meeting.

Sincerely,

Douglas R. Lebda
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the HLC asset sale transaction, passed upon the merits or fairness of the HLC asset sale transaction or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.

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11115 Rushmore Drive, Charlotte, North Carolina 28277

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Stockholders of Tree.com, Inc.:

A special meeting of stockholders of Tree.com, Inc. will be held on August 26, 2011, at 9:00 a.m. local time, at our corporate headquarters at 11115 Rushmore Drive, Charlotte, North Carolina 28277. At the special meeting, stockholders will be asked to adopt resolutions:

1. To approve the sale of substantially all of the operating assets of Home Loan Center, Inc. as contemplated by the asset purchase agreement by and among Tree.com, Inc. and its wholly-owned subsidiaries LendingTree, LLC, Home Loan Center, Inc. and HLC Escrow, Inc., on the one hand, and Discover Bank on the other, dated as of May 12, 2011 (as it may be amended from time to time in accordance with the terms thereof), a copy of which is attached as *Appendix A* to the accompanying proxy statement. We refer to this proposal as the "HLC Asset Sale Proposal;" and

2. To consider and provide an advisory (non-binding) vote on the payment of certain compensation to our named executive officers that is based on or otherwise relates to the HLC asset sale transaction. We refer to this proposal as the "HLC Transaction-Related Compensation Arrangements Proposal;" and

3. To approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the HLC Asset Sale Proposal. We refer to this proposal as the "Proposal to Adjourn or Postpone the Special Meeting."

By approving the HLC Asset Sale Proposal, our stockholders are also authorizing us to make any non-material changes that our board of directors deem advisable to the asset purchase agreement and the other transaction documents contemplated in connection with the HLC asset sale transaction.

Our board of directors has fixed June 27, 2011, as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of our common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, we had 11,024,271 shares of common stock outstanding and entitled to vote.

The proxy statement accompanying this notice is deemed to be incorporated into and forms part of this notice. The accompanying proxy statement, dated August 1, 2011, and proxy card for the special meeting are first being mailed to our stockholders on or about August 3, 2011.

Our board of directors has unanimously approved the asset purchase agreement and unanimously recommends that you vote "FOR" the approval of the HLC Asset Sale Proposal, "FOR" the approval of the HLC Transaction-Related Compensation Arrangements Proposal and "FOR" the approval of the Proposal to Adjourn or Postpone the Special Meeting. **Your vote is very important.** Please vote your shares by proxy whether or not you plan to attend the special meeting.

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Only stockholders and persons holding proxies from stockholders may attend the special meeting. If your shares are registered in your name, you should bring a form of photo identification to the special meeting. If your shares are held in the name of a broker, bank or other nominee, you should bring a proxy or letter from that broker, bank or other nominee that confirms you are the beneficial owner of those shares, together with a form of photo identification. Cameras, recording devices and other electronic devices will not be permitted at the special meeting. All stockholders are cordially invited to attend the special meeting.

By Order Of The Board Of Directors,

August 1, 2011

Douglas R. Lebda
Chairman and Chief Executive Officer

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Tree.com, Inc.

11115 Rushmore Drive,
Charlotte, North Carolina 28277
(704) 541-5351

PROXY STATEMENT

The board of directors of Tree.com, Inc., a Delaware corporation (which we refer to as "Tree.com," the "company," "we," "our," and "us") is soliciting the enclosed proxy for use at the special meeting of stockholders to be held on August 26, 2011, at 9:00 a.m. local time, at our corporate headquarters at 11115 Rushmore Drive, Charlotte, North Carolina 28277. This proxy statement, dated August 1, 2011, and proxy card are first being mailed to our stockholders on or about August 3, 2011.

SUMMARY TERM SHEET

*This summary term sheet, together with the question and answer section that follows, highlights selected information from this proxy statement about the sale of substantially all of the operating assets of our wholly owned subsidiary Home Loan Center, Inc. (which we refer to as the HLC asset sale transaction). This summary term sheet and the question and answer section may not contain all of the information that is important to you. For a more complete description of the HLC asset sale transaction, you should carefully read this proxy statement and the asset purchase agreement attached hereto as Appendix A in their entirety. The location of the more detailed description of each item in this summary is provided in the parentheses in each sub-heading below. Also see "*WHERE YOU CAN FIND MORE INFORMATION" *on page 71.*

Information About the Parties (page 32)

Tree.com, Inc., LendingTree, LLC, Home Loan Center, Inc., HLC Escrow, Inc.

Tree.com is the parent of LendingTree, LLC, Home Loan Center, Inc. and HLC Escrow, Inc. Tree.com is publicly traded on the NASDAQ Global Market (symbol: TREE). We currently operate our business in two segments. Under our LendingTree Loans segment we originate, process, approve and fund various residential real estate loans through Home Loan Center, Inc., which we sometimes refer to as HLC Inc. We sometimes refer to the business we operate under this segment as the LendingTree Loans business. Under our Exchanges segment we provide online lead generation networks and call centers that connect consumers and service providers principally in the lending, real estate, higher education, home services, insurance and automobile marketplaces. We sometimes refer to the business we operate under this segment as the LendingTree Exchanges business. The principal executive offices of Tree.com, Inc. and LendingTree, LLC are located at 11115 Rushmore Drive, Charlotte, North Carolina 28277 and the phone number is (704) 541-5351. The principal executive offices of HLC Inc. and HLC Escrow, Inc. are located at 163 Technology Drive, Irvine, California 92618 and the phone number is (888) 866-1212.

Discover Bank

Discover Bank, a Delaware banking corporation, is a wholly-owned subsidiary of Discover Financial Services which is publicly traded on the New York Stock Exchange (symbol: DFS). Discover Financial Services is a direct banking and payment services company which offers credit cards, student loans, personal loans and deposit products through Discover Bank. Through other subsidiaries, Discover Financial Services also operates the Discover Network, a credit card payments network; the PULSE network, an automated teller machine, debit and electronic funds transfer network; and Diners Club International, a global payments network. Discover Financial Services is a bank holding company under the Bank Holding Company Act of 1956, subject to oversight, regulation and examination by the Board of Governors of the Federal Reserve System and is also a financial holding company under the

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Gramm-Leach-Bliley Act. The principal executive offices of Discover Bank are located at 12 Read's Way, New Castle, Delaware 19720 and the phone number is (302) 323-7184.

Asset Purchase Agreement (page 55 and *Appendix A*)

On May 12, 2011, we and our wholly-owned subsidiaries LendingTree, LLC, HLC Inc. and HLC Escrow, Inc., entered into an asset purchase agreement with Discover Bank, pursuant to which we have agreed, subject to specified terms and conditions, including approval of the HLC asset sale transaction by our stockholders at the special meeting, to sell to Discover Bank substantially all of the operating assets of HLC Inc., which we sometimes refer to as the LendingTree Loans business. We will retain cash, certain cash equivalents, most of our residential mortgage loans owned or originated and closed prior to the closing and certain other assets of the LendingTree Loans business. Discover Bank generally will not assume liabilities of our LendingTree Loans business, but it will assume certain contracts, real property leases and specified liabilities of the LendingTree Loans business arising after the completion of the HLC asset sale transaction.

A copy of the asset purchase agreement is attached as *Appendix A* to this proxy statement. We encourage you to read the asset purchase agreement in its entirety.

Purchase Price (page 56)

If the HLC asset sale transaction is completed, then at the closing Discover Bank will be required to pay $35,888,536 to HLC Inc., subject to certain adjustments for utility expenses for office leases assumed by Discover Bank, fees, expenses and deposits we prepaid in respect of contracts, leases and other assets acquired by Discover Bank and earned but unpaid compensation for employees that will be employed by Discover Bank following the closing. HLC Inc. will also have the right to receive an additional $10 million on each of the first and second anniversaries of the closing, subject to certain conditions, including that Discover Bank has not terminated the master services agreement it entered into with us concurrently with the execution of the asset purchase agreement, and that we have maintained the LendingTree Exchanges business and satisfied certain financial and operational metrics associated with the LendingTree Exchanges business.

A portion of the initial purchase price based on our loan loss reserves at the end of the quarter prior to the closing ($20.3 million at March 31, 2011) will be held in escrow pending the discharge of certain liabilities that will remain with us.

Recommendation of Our Board of Directors (page 40)

After careful consideration, our board of directors unanimously recommends that you vote:

"**FOR**" the HLC Asset Sale Proposal;

"**FOR**" the HLC Transaction-Related Compensation Arrangements Proposal; and

"**FOR**" the Proposal to Adjourn or Postpone the Special Meeting.

Reasons for the HLC Asset Sale Transaction (page 40)

After taking into account all of the material factors relating to the asset purchase agreement and the HLC asset sale transaction, our board of directors unanimously determined that the asset purchase agreement and the HLC asset sale transaction are expedient, advisable, and in the best interests of our company and our stockholders. Our board of directors did not assign relative weights to the material factors it considered. In addition, our board of directors did not reach any specific conclusion on each of the material factors considered, but conducted an overall analysis of all of the material factors. Individual members of our board of directors may have given different weights to different factors.

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Opinion of Our Financial Advisor (page 42 and *Appendix B*)

On May 12, 2011, Milestone Advisors, LLC delivered its opinion to our board of directors to the effect that, as of such date, based upon, and subject to, the assumptions made, matters considered and limits of such review, in each case as set forth in its opinion, the sum of (i) the $35,888,536 payable to our company at the closing of the transaction plus (ii) the net liquidation value of certain assets and liabilities of HLC Inc. and HLC Escrow, Inc. that are not being purchased or assumed by Discover Bank, as estimated by our and HLC Inc.'s senior management team as of March 31, 2011, is fair, from a financial point of view, to Tree.com.

The opinion of Milestone Advisors was directed to, and for the use of, our board of directors in connection with its consideration of the HLC asset sale transaction, does not address the underlying business decision to proceed with or effect the HLC asset sale transaction or the relative merits of the HLC asset sale transaction as compared to any strategic alternatives that may be available to our company and does not constitute a recommendation as to how any of our stockholders should vote with respect to the HLC asset sale transaction.

The full text of the written opinion of Milestone Advisors dated as of May 12, 2011, which sets forth the assumptions made, matters considered and limits on the scope of the review undertaken in connection with the opinion is attached as *Appendix B* to this proxy statement. We encourage you to read the written opinion of Milestone Advisors in its entirety.

Special Meeting (page 10)

Date, Time and Place. The special meeting will be held on August 26, 2011, at 9:00 a.m. local time, at our corporate headquarters at 11115 Rushmore Drive, Charlotte, North Carolina 28277.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on June 27, 2011, the record date for the special meeting. You will have one vote at the special meeting for each share of our common stock you held at the close of business on the record date. There are 11,024,271 shares of our common stock entitled to be voted at the special meeting.

Required Vote. The asset purchase agreement requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding at the close of business on the record date to approve the HLC Asset Sale Proposal. Abstentions and broker non-votes will have the same effect as votes against the HLC Asset Sale Proposal. The HLC Transaction-Related Compensation Arrangements Proposal is a non-binding stockholder advisory vote and will be approved if the number of shares voted in favor of that proposal are greater than those voted against that proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on the HLC Transaction-Related Compensation Arrangements Proposal. If a quorum is present at the special meeting, the Proposal to Adjourn or Postpone the Special Meeting will be approved if the number of shares voted in favor of that proposal are greater than those voted against that proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on the Proposal to Adjourn or Postpone the Special Meeting if it is submitted for stockholder approval when a quorum is present at the meeting. If a quorum is not present at the special meeting, the Proposal to Adjourn or Postpone the Special Meeting will be approved by the affirmative vote of the holders of a majority of the voting power of our common stock present in person or by proxy at the special meeting. Abstentions would have the same effect as a vote "AGAINST" this proposal and broker non-votes would have no effect on the outcome of the vote on this proposal if it is submitted for approval when no quorum is present at the special meeting.

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Voting and Support Agreements (page 69)

In connection with the execution of the asset purchase agreement, Douglas R. Lebda, our chairman and chief executive officer, the trustee of a family trust for Mr. Lebda, and certain of our other stockholders executed voting and support agreements. Under the agreements, such stockholders have committed to vote all of the shares of our common stock owned by them in favor of the HLC Asset Sale Proposal. The shares subject to the voting and support agreements constitute approximately 49% of our outstanding common stock as of the record date.

Notwithstanding the foregoing, if our board of directors properly changes its recommendation with respect to the HLC Asset Sale Proposal due to a superior proposal, the stockholders that entered into the voting and support agreements, other than Mr. Lebda and the trustee of the family trust for Mr. Lebda, will collectively be required to vote 15% of the total outstanding shares of our common stock on the record date in favor of the HLC Asset Sale Proposal. Mr. Lebda and the trustee of the family trust for Mr. Lebda will be required to vote all of the shares beneficially owned by Mr. Lebda in favor of the HLC Asset Sale Proposal. Mr. Lebda beneficially owned approximately 20% of the outstanding shares of our common stock entitled to vote on the record date.

Interests of Certain Persons in the HLC Asset Sale Transaction (page 53)

The closing of the HLC asset sale transaction by Discover Bank is conditioned upon David Norris, the president of HLC Inc. and one of our executive officers, accepting employment with Discover Bank effective upon the closing. Tree.com has agreed to pay compensation to Mr. Norris based on the HLC asset sale transaction. For further information regarding the compensation arrangements between Mr. Norris and Tree.com, see "ASSET PURCHASE AGREEMENT Summary of Golden Parachute Arrangements in Connection with the HLC Asset Sale Transaction."

Conditions to Closing (page 64)

The closing of the HLC asset sale transaction is subject to the satisfaction or, to the extent permissible under applicable law or pursuant to the asset purchase agreement, waiver of certain conditions on or prior to the closing. Such conditions include, in addition to customary closing conditions, stockholder approval of the HLC Asset Sale Proposal and the absence of certain defaults or termination under the master services agreement entered into between us and Discover Bank.

The obligation of Discover Bank to complete the HLC asset sale transaction is subject to the satisfaction or, to the extent permissible under applicable law or pursuant to the asset purchase agreement, waiver of certain conditions on or prior to the closing. Such conditions include, among others:

Discover Bank obtaining approval of its FDIC Bank Merger Act application;

Discover Bank obtaining approval of the Delaware Office of State Bank Commissioner, if required;

Discover Bank receiving binding written proposals from at least three indentified financial institutions to purchase mortgage loans funded by the LendingTree Loans business after the closing of the HLC asset sale transaction;

at least 90 days elapsing between the execution of the asset purchase agreement and the closing;

our obtaining consents required under certain agreements to which we are a party;

our complying with certain required ratios and metrics for the LendingTree Loans business until the closing of the HLC asset sale transaction; and

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Discover Bank employing David Norris, the current president of HLC Inc., and acceptance of employment offers by a specified number of employees from certain divisions and at certain locations related to the LendingTree Loans business.

Solicitation of Other Offers (page 61)

Generally, we and our subsidiaries are required to terminate discussions with respect to, or that could be reasonably expected to lead to, an acquisition proposal and we are required to use our reasonable best efforts to cause our or our subsidiaries' representatives not to, directly or indirectly, initiate, solicit, assist or knowingly take any other action to facilitate any inquiries or the making of any acquisition proposal.

Notwithstanding the foregoing, if our board of directors determines in good faith that an unsolicited acquisition proposal constitutes or is reasonably likely to lead to a superior proposal, we may participate in negotiations regarding the acquisition proposal if our board of directors determines in good faith that not doing so would constitute, or would reasonably be likely to constitute, a breach of its fiduciary duties under applicable law.

Company Board Recommendation (page 63)

Our board of directors unanimously recommends that you vote for the HLC Asset Sale Proposal. Until our stockholders vote on the HLC Asset Sale Proposal, neither we nor our board of directors is permitted to change, qualify, withdraw or modify or publicly propose to change, qualify, withdraw or modify, such recommendation in any manner adverse to Discover Bank.

Notwithstanding the foregoing, if we receive an unsolicited, bona fide acquisition proposal deemed to be a superior proposal, or (other than in connection with an acquisition proposal) an event or circumstance occurs that is material to us and our subsidiaries, taken as a whole, and, in either case, our board of directors determines in good faith, after consultation with outside legal and financial advisors, that the failure to change its recommendation would constitute, or would reasonably be likely to constitute, a breach of its fiduciary duties under applicable law, our board of directors will be permitted to change its recommendation, provided certain procedures are followed.

Discover Bank has the right to terminate the asset purchase agreement if our board of directors changes its recommendation prior to the approval by our stockholders of the HLC Asset Sale Proposal. We do not have a right to terminate the asset purchase agreement upon a change in recommendation by our board of directors, and we are obligated to hold the special meeting notwithstanding such a change in recommendation.

Termination (page 66)

We or Discover Bank may terminate the asset purchase agreement:

by mutual written consent of us and Discover Bank;

if the HLC asset sale transaction has not closed by October 9, 2011, unless such deadline is extended pursuant to the terms of the asset purchase agreement, but in no event later than March 7, 2012;

if the other party has breached any representation, warranty, covenant or obligation contained in the asset purchase agreement in any material respect such that a closing condition cannot be satisfied, and if reasonably capable of being cured, such other party has not cured such breach within 15 days following written notice of such breach; or

if the special meeting was properly held and completed but the approval of the HLC Asset Sale Proposal by our stockholders was not obtained; provided that the right to terminate will not be

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available to any party whose breach of a covenant or obligation under the asset purchase agreement was the cause of or results in the failure to receive approval of the HLC Asset Sale Proposal by our stockholders.

Discover Bank may terminate the asset purchase agreement:

if prior to the approval of our stockholders of the HLC Asset Sale Proposal, our board of directors changes its recommendation to our stockholders in connection with the HLC Asset Sale Proposal or we materially breach certain other covenants related to such recommendation;

if we have or any of our subsidiaries has materially breached our non-solicitation obligations with respect to acquisition proposals under the asset purchase agreement;

if the special meeting has not been held by October 9, 2011 and failure to hold such meeting is due to a material breach by us of our obligations under the asset purchase agreement relating to holding such meeting; provided, however, that the right of Discover Bank to terminate will not be available if it is then in material breach of any of its obligations under the asset purchase agreement;

if, with respect to any agreement for a committed warehouse line of credit that is used to obtain funding for the origination of residential mortgage loans by us or any of our subsidiaries:

we fail or any of our affiliates fails to make a payment when due with respect to any indebtedness outstanding under any such agreement;

we breach or any of our affiliates breaches any other agreement, condition or covenant, relating to any such indebtedness;

we obtain or any of our affiliates obtains a waiver of, or enters into any amendment to such agreement that waives, any breach of or failure to observe, perform, maintain or satisfy any agreement, condition or covenant contained in such agreement without the prior written consent of Discover Bank, subject to certain exceptions; or

the aggregate amount available under any such agreement is reduced below $100 million; or

if any of the required ratios or metrics with respect to the LendingTree Loans business discussed in the paragraph below are not satisfied for any particular month or we fail to provide the required monthly certificate certifying our compliance with such ratios or metrics.

Until the closing of the HLC asset sale transaction, we are required to maintain certain ratios and metrics related to the LendingTree Loans business regarding the loan-to-value ratio of mortgage loans originated, the FICO scores for borrowers of mortgage loans originated, the principal amount of mortgage loans funded during a rolling three-month period and the number of licensed mortgage loan originators employed by HLC Inc.

Under certain circumstances, we or Discover Bank have the right to extend the termination date beyond October 9, 2011. If Discover Bank elects to extend the termination date, in accordance with the asset purchase agreement, due to its failure to have received (i) the required binding written proposals from certain identified financial institutions relating to their commitment to purchase mortgage loans funded by the LendingTree Loans business after the closing or (ii) the approval from the Federal Deposit Insurance Corporation, or FDIC, then, subject to certain exceptions, Discover Bank will be required to pay HLC Inc. a specified fee with respect to each extension request. All fees paid by Discover Bank in connection with an extension request will be credited toward the purchase price to be paid at closing or toward any payment of liquidated damages required if the asset purchase agreement is terminated under certain circumstances.

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Termination Fees (page 68)

We are required to pay Discover Bank $2.2 million in cash if the asset purchase agreement is properly terminated:

- by us or Discover Bank, if the HLC asset sale transaction has not closed by October 9, 2011, unless such deadline is extended, but in no event later than March 7, 2012, and prior to such termination, an acquisition proposal was publicly disclosed;

- by us or Discover Bank, if the special meeting was properly held and completed but the approval of the HLC Asset Sale Proposal by our stockholders was not obtained, and prior to such termination, an acquisition proposal was publicly disclosed;

- by Discover Bank, if, prior to the approval of the HLC Asset Sale Proposal by our stockholders, our board of directors changes its recommendation to our stockholders regarding the HLC Asset Sale Proposal, or we materially breached certain other covenants related to such recommendation; or

- by Discover Bank, if, we fail to hold the special meeting to vote on the HLC Asset Sale Proposal by October 9, 2011 and such failure was due to a material breach by us.

Discover Bank will be obligated to pay us $5.0 million in cash, reduced by the extension payments described above, if the asset purchase agreement is terminated because the HLC asset sale transaction has not closed by October 9, 2011, unless otherwise extended, due solely to (i) the failure of Discover Bank to obtain approval of its FDIC Bank Merger Act application or, if required, approval of the Delaware Office of State Bank Commission, or (ii) subject to certain exceptions, the failure of Discover Bank to obtain the required number of binding written proposals from certain identified financial institutions regarding their commitment to purchase mortgage loans funded by the LendingTree Loans business after the closing.

Indemnification (page 68)

We and Discover Bank have agreed to indemnify each other for damages as a result of any breach of a representation or warranty contained in the asset purchase agreement and for certain other specified matters. The representations and warranties extend for various periods of time depending on the nature of the claim. Except for breaches of certain specified representations, damages for breaches of representations and warranties must exceed $500,000 before either party is required to pay the indemnification claims and the aggregate indemnification claims payable by either party for breaches of representations and warranties may not exceed $10 million.

Expected Completion of HLC Asset Sale Transaction (page 51)

We expect to complete the HLC asset sale transaction as soon as practicable after all of the closing conditions in the asset purchase agreement, including approval of the HLC Asset Sale Proposal by our stockholders, have been satisfied or waived. Subject to the satisfaction or waiver of these conditions, we expect the HLC asset sale transaction to close by the end of 2011. However, there can be no assurance that the HLC asset sale transaction will be completed at all or, if completed, when it will be completed.

Effects on Our Business if the HLC Asset Sale Transaction is Completed (page 51)

If the HLC asset sale transaction is completed, we will no longer conduct the LendingTree Loans business. Instead, we will focus on our Lending Tree Exchanges business. Our assets that are currently used in connection with this business will not be transferred to Discover Bank as part of the HLC asset sale transaction.

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We will continue to work to maximize stockholder interests with a goal of returning value to our stockholders. The HLC asset sale transaction will not alter the rights, privileges or nature of the issued and outstanding shares of our common stock. A stockholder who owns shares of our common stock immediately prior to the closing of the HLC asset sale transaction will continue to hold the same number of shares immediately following the closing.

Our reporting obligations as a U.S. public company will not be affected as a result of completing the HLC asset sale transaction. We believe that after the HLC asset sale transaction we will continue to qualify for listing on the NASDAQ Global Market. However, following the HLC asset sale transaction our business will be smaller, and therefore we may fail to satisfy the continued listing standards of that market. If we are unable to satisfy the continued listing standards of the NASDAQ Global Market, our common stock may be delisted from that market.

Effects on Our Business if the HLC Asset Sale Transaction is Not Completed (page 52)

If the HLC asset sale transaction is not completed, we will continue to conduct the LendingTree Loans business, and we may consider and evaluate other strategic opportunities. In such a circumstance, there can be no assurances that our continued operation of the LendingTree Loans business or any alternative strategic opportunities will result in the same or greater value to our stockholders as the proposed HLC asset sale transaction.

If the asset purchase agreement is terminated under certain circumstances described in this proxy statement and set forth in the asset purchase agreement, we may be required to pay Discover Bank a termination fee of $2.2 million, or Discover Bank may be required to pay us a termination fee of $5.0 million.

Ancillary Agreements (page 69)

In connection with the HLC asset sale transaction:

- Tree.com has entered into a two-year master service agreement with Discover Bank providing for marketing consulting and support services principally in connection with Discover Bank's mortgage business;
- on the closing date, Tree.com will enter into a CLO Services Agreement with Discover Bank providing for Discover Bank's participation on our lending network following the closing;
- on the closing date, Tree.com, LendingTree, LLC, HLC Inc. and HLC Escrow, Inc. will enter into a transition services agreement with Discover Bank providing for the provision of certain services to Discover Bank; and
- on the closing date, Tree.com, LendingTree, LLC, HLC Inc., HLC Escrow, Inc., Discover Bank and The Bank of New York Mellon will enter into an escrow agreement pending the discharge of certain liabilities that will remain with Tree.com.

Governmental and Regulatory Approval (page 51)

Discover Bank will need to obtain approval of its FDIC Bank Merger Act application and may need the approval of the Delaware Office of State Bank Commissioner to acquire the LendingTree Loans business. The receipt of the foregoing approvals (as necessary) is a condition to Discover Bank's obligation to close the HLC asset sale transaction.

No Appraisal or Dissenters' Rights (page 53)

No appraisal or dissenters' rights are available to our stockholders under Delaware law or our certificate of incorporation or bylaws in connection with the HLC asset sale transaction.

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Anticipated Accounting Treatment (page 53)

Under generally accepted accounting principles, upon completion of the HLC asset sale transaction, we will remove the net assets sold from our consolidated balance sheet and record a gain from the HLC asset sale transaction equal to the total amount of consideration realized. Amounts held in escrow will be recognized as assets when released from escrow.

Material U.S. Federal Income Tax Consequences of the HLC Asset Sale Transaction (page 53)

The HLC asset sale transaction will be treated for federal income tax purposes as a taxable sale upon which we will recognize gain or loss. The amount of gain or loss we recognize with respect to the sale of a particular asset will be measured by the difference between the amount realized by us on the sale of that asset and our tax basis in that asset. The determination of whether we will recognize gain or loss will be made with respect to each of the assets to be sold. Accordingly, we may recognize gain on the sale of certain assets and loss on the sale of certain others, depending on the amount of consideration allocated to an asset as compared with the basis of that asset. Further, the sale of certain assets may result in ordinary income or loss, depending on the nature of the asset. To the extent the HLC asset sale transaction results in us recognizing a net gain, we expect that our available net operating loss carryforwards will offset some of such gain.

Risk Factors (page 17)

In evaluating the HLC Asset Sale Proposal, you should carefully read this proxy statement and consider the factors discussed in the section entitled "RISK FACTORS" beginning on page 16 of this proxy statement.

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THE SPECIAL MEETING

Q: Why am I receiving this proxy statement?

A:

Our board of directors is furnishing this proxy statement in connection with the solicitation of proxies to be voted at the special meeting of stockholders, or at any adjournments or postponements of the special meeting.

Q: When and where will the special meeting be held?

A:

The special meeting will be held on August 26, 2011, at 9:00 a.m. local time, at our corporate headquarters at 11115 Rushmore Drive, Charlotte, North Carolina 28277.

Q: What matters will the stockholders vote on at the special meeting?

A:

The stockholders will vote on the following proposals:

To approve the HLC Asset Sale Proposal;

To approve the HLC Transaction-Related Compensation Arrangements Proposal; and

To approve the Proposal to Adjourn or Postpone the Special Meeting.

Q: What is the HLC Asset Sale Proposal?

A:

The HLC Asset Sale Proposal is a proposal to sell substantially all of the operating assets of HLC Inc., which we refer to as the LendingTree Loans business, pursuant to an asset purchase agreement dated as of May 12, 2011 by and among Tree.com, LendingTree, LLC, HLC Inc. and HLC Escrow, Inc., on the one hand, and Discover Bank, on the other hand.

Q: What will happen if the HLC Asset Sale Proposal is approved by our stockholders?

A:

Under the terms of the asset purchase agreement, if the HLC Asset Sale Proposal is approved by our stockholders and the other closing conditions under the asset purchase agreement have been satisfied or waived, we will sell substantially all of the operating assets of HLC Inc. and we will discontinue the LendingTree Loans business. By approving the HLC Asset Sale Proposal, our stockholders are also authorizing us to make any non-material changes that our officers deem advisable to the asset purchase agreement and the other transaction documents contemplated in connection with the HLC asset sale transaction.

Q: What is the HLC Transaction-Related Compensation Arrangements Proposal?

A:

The HLC Transaction-Related Compensation Arrangements Proposal is a non-binding advisory vote to approve the payment of certain compensation to our named executive officers that is based on or otherwise relates to the HLC asset sale transaction. For further information regarding the compensation arrangements, see "ASSET PURCHASE AGREEMENT Summary of Golden Parachute Arrangements in Connection with the HLC Asset Sale Transaction".

Q: What will happen if the HLC Transaction-Related Compensation Arrangements Proposal is approved by our stockholders?

A:

The vote on executive compensation payable in connection with the HLC asset sale transaction is a vote separate and apart from the HLC Asset Sale Proposal. Accordingly, approval of this proposal is not a condition to completion of the HLC asset sale transaction, and as an advisory vote, the result will not be binding on our board of directors or on the compensation committee of our board of directors. Therefore, if the HLC asset sale transaction is approved by our stockholders

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and completed, the compensation based on or otherwise relating to the HLC asset sale transaction may be paid to our named executive officers regardless of whether our stockholders approve the HLC Transaction-Related Compensation Arrangements Proposal.

Q: What is the Proposal to Adjourn or Postpone the Special Meeting?

A:

The Proposal to Adjourn or Postpone the Special Meeting is a proposal to permit us to adjourn or postpone the special meeting for the purpose of soliciting additional proxies in the event that, at the special meeting, the affirmative vote in favor of the HLC Asset Sale Proposal is less than a majority of the issued and outstanding shares of our common stock entitled to vote at the special meeting.

Q: What will happen if the Proposal to Adjourn or Postpone the Special Meeting is approved by our stockholders?

A:

If there are insufficient votes at the time of the special meeting to approve the HLC Asset Sale Proposal and the Proposal to Adjourn or Postpone the Special Meeting is approved at the special meeting, we will be able to adjourn or postpone the special meeting for purposes of soliciting additional proxies to approve the HLC Asset Sale Proposal. If you have previously submitted a proxy on the proposals discussed in this proxy statement and wish to revoke it upon adjournment or postponement of the special meeting, you may do so.

Q: Am I entitled to appraisal or dissenters' rights in connection with the HLC Asset Sale Proposal, the HLC Transaction-Related Compensation Arrangements Proposal or the Proposal to Adjourn or Postpone the Special Meeting?

A:

No appraisal or dissenters' rights are available to our stockholders under Delaware law or under our certificate of incorporation or bylaws in connection with the types of actions contemplated under the HLC Asset Sale Proposal, the HLC Transaction-Related Compensation Arrangements Proposal or the Proposal to Adjourn or Postpone the Special Meeting.

Q: Who is entitled to vote at the special meeting?

A:

Holders of our common stock at the close of business on June 27, 2011, the record date for the special meeting established by our board of directors, are entitled to receive notice of, and to vote their shares at, the special meeting and any related adjournments or postponements.

As of the close of business on the record date, there were 11,024,271 shares of our common stock outstanding and entitled to vote. Holders of our common stock are entitled to one vote per share.

Q: What are the quorum requirements for the special meeting?

A:

The presence in person or by proxy of the holders of a majority of our issued and outstanding shares of common stock that are entitled to vote at the special meeting constitutes a quorum. You are counted as present at the special meeting for quorum purposes if you are present and vote in person at the special meeting or if you properly submit a proxy by returning the proxy card accompanying this proxy statement in the postage-paid envelope provided or by the telephone or the Internet procedures described under "Q: How do I vote?" A validly submitted proxy will result in your shares counting towards a quorum even if no voting instructions are provided.

Q: What vote is required to approve each of the proposals?

A:

The approval of the HLC Asset Sale Proposal requires the affirmative vote of holders of at least a majority of our issued and outstanding shares of common stock that are entitled to vote at the

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special meeting. If you abstain from voting, either in person or by proxy, or you do not instruct your broker or other nominee how to vote your shares, the resulting abstention or broker non-vote will have the same effect as a vote "AGAINST" the approval of the HLC Asset Sale Proposal.

The HLC Transaction-Related Compensation Arrangements Proposal is a non-binding stockholder advisory vote and will be approved if the number of shares voted in favor of that proposal are greater than those voted against that proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on the HLC Transaction-Related Compensation Arrangements Proposal.

If a quorum is present at the special meeting, the Proposal to Adjourn or Postpone the Special Meeting will be approved if the number of shares voted in favor of that proposal is greater than the number of shares voted against that proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on the Proposal to Adjourn or Postpone the Special Meeting if it is submitted for stockholder approval when a quorum is present at the meeting. If a quorum is not present at the special meeting, the Proposal to Adjourn or Postpone the Special Meeting will be approved by the affirmative vote of the holders of a majority of the voting power of our common stock present in person or by proxy at the special meeting. Abstentions would have the same effect as a vote "AGAINST" this proposal and broker non-votes would have no effect on the outcome of the vote on this proposal if it is submitted for approval when no quorum is present at the special meeting.

As of the record date, Douglas R. Lebda, our chairman and chief executive officer, the trustee of a family trust for Mr. Lebda, and certain of our other stockholders representing an aggregate of approximately 49% of our outstanding common stock on that date have entered into voting and support agreements with Discover Bank, pursuant to which they have agreed to vote all of their shares in favor of the HLC Asset Sale Proposal. Notwithstanding the foregoing, if our board of directors properly changes its recommendation with respect to the HLC Asset Sale Proposal due to a superior proposal, the stockholders that entered into the voting and support agreements, other than Mr. Lebda and the trustee of the family trust for Mr. Lebda, will collectively be required to vote 15% of the total outstanding shares of our common stock on the record date in favor of the HLC Asset Sale Proposal. Mr. Lebda and the trustee of the family trust for Mr. Lebda will be required to vote all of the shares beneficially owned by Mr. Lebda in favor of the HLC Asset Sale Proposal. Mr. Lebda beneficially owned approximately 20% of the outstanding shares of our common stock entitled to vote on the record date.

Q: How do I vote?

A:

You may vote by proxy or in person at the special meeting.

Voting in Person: If you hold shares as a stockholder of record and plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Alternatively, you may provide us with a signed proxy card before voting is closed. If you would like to vote in person, please bring proof of identification with you to the special meeting. Even if you plan to attend the special meeting, we strongly encourage you to submit a proxy for your shares in advance as described below, so your vote will be counted if you are not able to attend. If your shares are held in street name, you must bring to the special meeting a proxy from the record holder of the shares (your broker, bank or nominee) authorizing you to vote at the special meeting. To do this, you should contact your broker, bank or nominee as soon as possible.

Voting By Proxy: If you hold your shares as stockholder of record, you may submit a proxy for your shares by mail, by telephone or on the Internet. If you vote by proxy, by telephone or on the Internet, you should not return the proxy card accompanying this proxy statement. Telephone and

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Internet voting facilities are available now and will be available 24 hours a day until 11:59 p.m., Eastern Time, on August 25, 2011.

Vote by Mail You may submit a proxy for your shares by mail by marking the proxy card accompanying this proxy statement, dating and signing it, and returning it to Tree.com c/o BNY Mellon Shareowner Services in the postage-paid envelope provided. If the envelope is missing, please mail your completed proxy card to Tree.com c/o BNY Mellon Shareowner Services at the following address: BNY Mellon Shareowner Services, P.O. Box 3550, South Hackensack, NJ 07606-9250. Please allow sufficient time for mailing if you decide to submit a proxy for your shares by mail.

Vote by Telephone You may also submit a proxy for your shares by telephone by following the instructions provided on the proxy card accompanying this proxy statement. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

Vote on the Internet You may also submit a proxy for your shares on the Internet by following the instructions provided on the proxy card accompanying this proxy statement.

If you hold your shares in street name, then you received this proxy statement from your broker, bank or nominee, along with a voting instruction card from your broker, bank or nominee. You will need to instruct your broker, bank or other nominee on how to vote your shares of common stock using the voting instructions provided.

All shares represented by properly executed proxies received in time for the special meeting will be voted in the manner specified by the stockholders giving those proxies.

Q: What happens if I abstain?

A:

Abstentions are counted for purposes of determining whether there is a quorum. Abstentions will have the same effect as a vote "AGAINST" the approval of the HLC Asset Sale Proposal. Abstentions will not have any effect on the outcome of the vote of the HLC Transaction-Related Compensation Arrangements Proposal. Abstentions will not have any effect on the outcome of the vote on the Proposal to Adjourn or Postpone the Special Meeting if the proposal is submitted for stockholder action when a quorum is present at the special meeting. If the Proposal to Adjourn or Postpone the Special Meeting is submitted for stockholder action when a quorum is not present at the special meeting, abstentions will have the same effect as a vote "AGAINST" the proposal.

Q: If I hold my shares in street name through my broker, will my broker vote these shares for me?

A:

If you hold your shares in street name, you must provide your broker, bank or other nominee with instructions in order to vote those shares. To do so, you should follow the voting instructions provided to you by your bank, broker or other nominee. If your bank, broker or nominee holds your shares in its name and you do not instruct it how to vote, it will not have discretion to vote on any of the proposals at the special meeting.

Q: What happens if I hold my shares in street name through my broker and I do not instruct my broker how to vote my shares?

A:

Brokers, banks or other nominees who hold shares in street name for their customers have the authority to vote on "routine" proposals when they have not received instructions from the beneficial owners of such shares. However, brokers, banks or other nominees do not have the authority to vote shares they hold for their customers on non-routine proposals when they have not received instructions from the beneficial owners of such shares. The HLC Asset Sale Proposal,

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the HLC Transaction-Related Compensation Arrangements Proposal and the Proposal to Adjourn or Postpone the Special Meeting are non-routine proposals. As a result, absent instructions from the beneficial owner of such shares, brokers, banks and other nominees will not vote those shares. This is referred to as a "broker non-vote." Broker non-votes are counted for purposes of determining whether there is a quorum. Broker non-votes will have the same effect as a vote "AGAINST" the approval of the HLC Asset Sale Proposal. Broker non-votes will not have any effect on the outcome of the vote on the HLC Transaction-Related Compensation Arrangements Proposal or the Proposal to Adjourn or Postpone the Special Meeting.

Q: Can I change my vote?

A:

Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before the vote at the special meeting by:

delivering to BNY Mellon Shareowner Services a written notice, bearing a date later than your proxy, stating that you revoke the proxy;

submitting a later-dated proxy (either by mail, the telephone or on the Internet) relating to the same shares prior to the vote at the special meeting; or

attending the special meeting and voting in person (although attendance at the special meeting will not, by itself, revoke a proxy).

You should send any written notice or a new proxy card to Tree.com c/o BNY Mellon Shareowner Services at the following address: BNY Mellon Shareowner Services, P.O. Box 3550, South Hackensack, NJ 07606-9250. You may request a new proxy card by calling BNY Mellon Shareowner Services, Proxy Processing at 1-877-296-3711 (toll-free).

If your shares are held in street name, you must contact your broker, bank or nominee to revoke your proxy.

Q: What if I do not specify a choice for a matter when returning a proxy?

A:

If you hold your shares of record, proxies that are signed and returned without voting instructions will be voted in accordance with the recommendations of our board of directors. If your shares are held in street name, failure to give voting instructions to your broker, bank or other nominee will result in a broker non-vote.

Q: What is the difference between a stockholder of record and a stockholder who holds stock in street name?

A:

If your shares are registered in your name, you are a stockholder of record. If your shares are held in an account with a broker, bank or another holder of record, these shares are held in street name.

Q: Can I see a list of stockholders of record?

A:

You may examine a list of the stockholders of record as of the close of business on June 27, 2011 for any purpose germane to the special meeting during normal business hours during the 10-day period preceding the date of the meeting at our corporate headquarters at 11115 Rushmore Drive, Charlotte, North Carolina 28277. This list will also be made available at the special meeting.

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Q: What does it mean if I get more than one proxy card?

A:

If your shares are registered differently and are in more than one account, you may receive more than one proxy card. Please complete, sign, date, and return all of the proxy cards you receive regarding the special meeting to ensure that all of your shares are voted.

Q: How are proxies solicited and what is the cost?

A:

We will bear all expenses incurred in connection with the solicitation of proxies and printing, filing and mailing this proxy statement. In addition to solicitation by mail, our directors, officers and employees may solicit proxies from stockholders by telephone, letter, facsimile or in person. These directors, officers and employees will not be paid additional remuneration for their efforts but may be reimbursed for out-of-pocket expenses incurred in connection therewith. Following the original mailing, we will request brokers, custodians, nominees and other record holders to forward their own notice and, upon request, to forward copies of the proxy statement and related soliciting materials to persons for whom they hold shares of our common stock and to request authority for the exercise of proxies. In such cases, upon the request of the record holders, we will reimburse such holders for their reasonable out-of-pocket expenses.

Q: What should I do if I have questions regarding the special meeting?

A:

If you have any questions about how to cast your vote for the special meeting or would like copies of any of the documents referred to in this proxy statement, you should call BNY Mellon Shareowner Services, Proxy Processing at 1-877-296-3711 (toll-free).

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as "anticipates," "estimates," "expects," "projects," "intends," "plans" and "believes," among others, generally identify forward-looking statements.

Actual results could differ materially from those contained in the forward-looking statements. Factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include the following: 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 restrictions related to our spin-off from InterActiveCorp in August 2008; adverse conditions in the primary and secondary mortgage markets and in the economy; adverse conditions in our industries; adverse conditions in the credit markets and the inability to renew or replace warehouse lines of credit; 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; deficiencies in our disclosure controls and procedures and internal control over financial reporting; uncertainties surrounding the HLC asset sale transaction, including, the uncertainty as to the timing of the closing and whether stockholders will approve the HLC asset sale transaction; the possibility that competing offers for the assets will be made; the possibility that various closing conditions for the transaction may not be satisfied or waived; and the effects of disruption from the transaction making it more difficult to maintain relationships with employees, customers and other business partners.

These and additional factors to be considered are set forth under "RISK FACTORS" beginning on page 16 of this proxy statement.

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

In addition to the other information contained in this proxy statement, you should carefully consider the following risk factors relating to our company and the HLC asset sale transaction.

Risk Related to Our Company

Adverse conditions in the primary and secondary mortgage markets, as well as the economy generally, could materially and adversely affect our business, financial condition and results of operations.

The primary and secondary mortgage markets have been experiencing unprecedented and continuing disruption, which has had and is expected to continue to have an adverse effect on our business, financial condition and results of operations. These conditions, coupled with adverse economic conditions and continuing declines in residential real estate prices generally, have resulted in and are expected to continue to result in decreased consumer demand for the lending services provided by our networks and other businesses. Generally, increases in interest rates adversely affect the ability of lenders, including lenders that offer loans to consumers through our network of lenders, to close loans, while adverse economic trends limit the ability of lenders to offer home loans other than low margin "conforming" loans (loans which meet the requirements for purchase by certain Federal Agencies and Government Sponsored Enterprises). We refer to the lenders that offer loans to consumers through our network of lenders as "Network Lenders." Our businesses may experience a further decline in demand for their offerings due to decreased consumer demand as a result of the conditions described above now or in the future. Conversely, during periods of robust consumer demand, which are typically associated with decreased interest rates, some Network Lenders may have less incentive to use our networks, or in the case of sudden increases in consumer demand, Network Lenders may lack the ability to support sudden increases in volume.

The secondary mortgage markets have also been experiencing unprecedented and continued disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. These conditions may continue for a prolonged period of time or worsen in the future. HLC Inc. does not have the capital resources or credit necessary to retain the loans it funds and closes and, as a result, sells substantially all such loans within 30 days of funding. Accordingly, a prolonged period of secondary market illiquidity may force HLC Inc. to significantly reduce the volume of loans that it originates and funds, which could have an adverse effect on our business, financial condition and results of operations.

These disruptions and volatility in the capital and credit markets have resulted in rapid and steep declines in prevailing stock prices, particularly in the financial services sector, as well as downward pressure on credit availability. These adverse conditions adversely affect Network Lenders, secondary market purchasers, and third-party real estate professionals, and may render them unwilling or unable to continue business relationships with us. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect on our business relationships and on our business, financial condition and results of operations.

Difficult market conditions have adversely affected our industry.

Declines in the housing market since 2008, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to other asset-backed securities, credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail.

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Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets may have an adverse effect on our business, financial condition and results of operations.

We do not expect that the difficult conditions in the financial markets will likely improve materially in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry. Further, our business could be adversely affected by the actions and commercial soundness of other businesses in the financial services sector. As a result, defaults by, or even rumors or questions about, one or more of these entities, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Any such losses or defaults could have an adverse effect on our business, financial condition and results of operations.

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

The credit markets, in particular those financial institutions that provide warehouse financing and similar arrangements to mortgage lenders, have been experiencing unprecedented and continued disruptions resulting from instability in the mortgage and housing markets. The LendingTree Loans business requires significant financing in order to fund consumer mortgage loans that it originates. The required financing is currently being met through borrowings under warehouse lines of credit or repurchase agreements to fund and close loans, followed by the sale of substantially all loans funded to investors in the secondary mortgage markets. Current credit market conditions, such as significantly reduced and limited availability of credit, increased credit risk premiums for certain market participants and increased interest rates generally, increase the cost and reduce the availability of financing and may continue for a prolonged period of time or worsen in the future.

As of March 31, 2011, HLC Inc. had two committed lines of credit totaling $150.0 million of borrowing capacity, and a $25.0 million uncommitted line. One of the committed lines is a $50.0 million line of credit scheduled to expire on June 29, 2011 and which can be cancelled at the option of the lender without default upon 60 days notice. The other is a $100.0 million line of credit scheduled to expire on October 28, 2011. See Note 7 to our consolidated financial statements attached as *Appendix D* to this proxy statement. Borrowings under these lines of credit are used to fund, and are secured by, consumer residential loans that are held for sale. Loans under these lines of credit are repaid using proceeds from the sales of loans by HLC Inc. At March 31, 2011, there was $66.5 million in the aggregate outstanding under the lines of credit.

Further reductions in our available credit, or the inability to renew or replace these lines, could have an adverse effect on our business, financial condition and results of operations. We attempt to mitigate the impact of current conditions and future credit market disruptions by maintaining committed and uncommitted warehouse lines of credit with several financial institutions. However, these financial institutions, like all financial institutions, are subject to the same adverse market conditions and may be affected by recent market disruptions, which may affect the decision to reduce or renew these lines or the pricing for these lines. Current committed lines of credit may be reduced or not renewed, alternative financing may be unavailable or inadequate to support our operations and the cost of alternative financing may not allow us to operate at profitable levels. Because HLC Inc. is highly dependent on the availability of credit to finance its operations, the continuation of current credit market conditions for a prolonged period of time or the worsening of such conditions could have

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an adverse effect on our business, financial condition and results of operations, particularly over the next few years.

Our financial results fluctuate as a result of seasonality, which may make it difficult to predict our future performance and may affect our common stock price.

Our business is generally subject to seasonal trends. These trends reflect the general patterns of housing sales, which typically peak in the spring and summer seasons. Additionally, the broader cyclical trends in the mortgage and real estate markets have upset the usual seasonal trends. As a result, our quarterly operating results may fluctuate, which may negatively impact the price of our common stock.

Indemnification of secondary market purchasers could have a material adverse effect on our business, financial condition, results of operations and liquidity.

In connection with the sale of loans to secondary market purchasers, HLC Inc. makes certain representations regarding related borrower credit information, loan documentation and collateral. To the extent that these representations are incorrect, HLC Inc. may be required to repurchase loans or indemnify secondary market purchasers for losses due to borrower defaults. In connection with the sale of loans to secondary market purchasers, HLC Inc. also agrees to repurchase loans or indemnify secondary market purchasers for losses due to early payment defaults (i.e., late payments during a limited time period immediately following HLC Inc.'s origination of the loan). In connection with the sale of a majority of its loans to secondary market purchasers, HLC Inc. also agrees to repay all or a portion of the initial premiums paid by secondary market purchasers in instances where the borrower prepays the loan within a specified period of time. HLC Inc. has made payments for these liabilities in the past and expects to make payments for these in the future even if the HLC asset sale transaction is completed since we have agreed to retain the resident mortgage loans owned or originated by us or our subsidiaries that close prior to the closing of such transaction.

We depend on relationships with Network Lenders, credit providers and secondary market investors and any adverse changes in these relationships could adversely affect our business, financial condition and results of operations.

Our success depends, in significant part, on the quality and pricing of services provided by, and the continued financial stability of, Network Lenders participating in our networks, credit providers and secondary market investors. Network Lenders could cease participating or choose not to participate in our networks, fail to pay matching and closing fees when due and cease providing quality services on competitive terms. In addition, credit providers and secondary market investors could choose not to make credit available to HLC Inc., and secondary market investors could cease purchasing loans from HLC Inc. Revenues attributable to purchases of loans by three entities, JPMorgan Chase, Bank of America and Wells Fargo, represented approximately 25%, 24% and 11%, respectively, of our consolidated revenues in 2010. The occurrence of one of more of these events with a significant number of Network Lenders, credit providers or secondary market investors could, alone or in combination, have a material adverse effect on our business, financial condition and results of operations.

Network Lenders are not precluded from offering loans outside of our networks.

Because our businesses do not have exclusive relationships with Network Lenders, consumers may obtain loans directly from these lenders without having to use our networks. Network Lenders can offer loans directly to consumers through marketing campaigns or other traditional methods of distribution, such as referral arrangements, brick and mortar operations or broker agreements. Network Lenders can also offer loans to prospective customers online directly, through one or more online competitors of our businesses, or both. If a significant number of consumers seek loans directly from Network Lenders

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as opposed to through our networks, our business, financial condition and results of operations would be adversely affected.

A breach of our network security or the misappropriation or misuse of personal consumer information may have an adverse impact on our business, financial condition and results of operations.

Any penetration of network security or other misappropriation or misuse of personal consumer information we maintain could interrupt our business operations and subject us to increased costs, litigation and other liabilities. Claims could also be made against us for other misuse of personal information, such as for unauthorized purposes or identity theft, which could result in litigation and financial liabilities, as well as administrative action from governmental authorities. Security breaches could also significantly damage our reputation with consumers and third parties with whom we do business. For example, in April 2008, several mortgage companies had gained unauthorized access to our customer information database and had used the information to solicit mortgage loans directly from our customers. We promptly reported the situation to the Federal Bureau of Investigation and cooperated fully with the FBI's investigation. While we do not believe this situation resulted in any fraud on the consumer or identity theft, we notified affected consumers as required by applicable law. Several putative class action lawsuits were filed against us seeking to recover damages for consumers allegedly injured by this incident. All but one of these lawsuits have been dismissed or withdrawn.

As in the case of any financial services company, we may be required to expend significant capital and other resources to protect against and remedy any potential or existing security breaches and their consequences. We also face risks associated with security breaches affecting third parties with which we are affiliated or otherwise conduct business online. Consumers are generally concerned with security and privacy of the Internet, and any publicized security problems affecting our businesses or those of third parties may discourage consumers from doing business with us, which could have an adverse effect on our business, financial condition and results of operations.

Network Lenders may not provide competitive levels of service to consumers, which could adversely affect our brands and businesses and their ability to attract consumers.

The ability of our businesses to provide consumers with a high-quality experience depends, in part, on consumers receiving competitive levels of convenience, customer service, price and responsiveness from Network Lenders with whom they are matched through our networks. If Network Lenders do not provide consumers with competitive levels of convenience, customer service, price and responsiveness, the value of our various brands may be harmed, the ability of our businesses to attract consumers to our websites may be limited and the number of consumers ultimately matched through our networks may decline, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain brand recognition and attract and retain customers in a cost-effective manner could adversely affect our business, financial condition and results of operations.

Our businesses must promote and maintain their various brands successfully to attract visitors to their websites, convert these visitors into paying customers and capture repeat business from existing customers. This requires us to spend money for and devote our resources to online and offline advertising, marketing and related efforts, and continually provide and introduce high-quality products and services.

We believe that continuing to build and maintain the recognition of our various brands is critical to achieving increased demand for the services we provide because brand recognition is a key differentiating factor among providers of online services. Accordingly, we have spent, and expect to continue to spend, significant amounts of capital on, and devote significant resources to, branding,

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advertising and other marketing initiatives, which may not be successful or cost-effective. The failure of our businesses to maintain the recognition of their respective brands and attract and retain customers in a cost-effective manner could adversely affect our business, financial condition and results of operations.

In addition, publicity from legal proceedings against us or our businesses, particularly governmental proceedings, consumer class action litigation or the disclosure of information security breaches, could negatively impact our various brands, which could adversely affect our business, financial condition and results of operations.

We depend on search engines and other online sources to attract visitors to our websites, and if we are unable to attract these visitors and convert them into customers in a cost-effective manner, our business and financial results may be harmed.

Our success depends on our ability to attract online consumers to our websites and convert them into customers in a cost-effective manner. We depend, in part, on search engines and other online sources for our website traffic. We are included in search results as a result of both paid search listings, where we purchase specific search terms that will result in the inclusion of our listing, and algorithmic searches that depend upon the searchable content on our sites. Search engines and other online sources revise their algorithms from time to time in an attempt to optimize their search results.

If one or more of the search engines or other online sources on which we rely for website traffic were to modify its general methodology for how it displays our websites, resulting in fewer consumers clicking through to our websites, our business, financial condition and results of operations could suffer. If any free search engine on which we rely begins charging fees for listing or placement, or if one or more of the search engines or other online sources on which we rely for purchased listings, modifies or terminates its relationship with us, our expenses could rise, we could lose customers and traffic to our websites could decrease, all of which could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to continually enhance our products and services and adapt them to technological changes and customer needs, including the emergence of new computing devices and more sophisticated online services, we may lose market share and revenue and our business could suffer.

We need to anticipate, develop and introduce new products, services and applications on a timely and cost-effective basis that keeps pace with technological developments and changing customer needs. For example, the number of individuals who access the internet through devices other than a personal computer, such as personal digital assistants, mobile telephones, tablets, televisions and set-top box devices, has increased significantly, and this trend is likely to continue. Our websites were designed for rich, graphical environments such as those available on desktop and laptop computers. The lower resolution, functionality and memory associated with alternative devices currently available may make the access and use of our websites through such devices difficult. Because each manufacturer or distributor may establish unique technical standards for its devices, our websites may not be functional or viewable on these devices. Additionally, new devices and new platforms are continually being released. It is difficult to predict the problems we may encounter in improving our websites' functionality with these alternative devices, and we may need to devote significant resources to the improvement, support and maintenance of our websites. If we fail to develop our websites to respond to these or other technological developments and changing customer needs cost effectively, we may lose market share, which could adversely affect our business, financial condition and results of operations.

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Failure to comply with existing or evolving laws, rules and regulations, or to obtain and maintain required licenses, could adversely affect our business, financial condition and results of operations.

The failure of our businesses to comply with existing laws, rules and regulations, or to obtain required licenses, could result in administrative fines and/or proceedings against us or our businesses by governmental agencies or litigation by consumers or both, which could adversely affect our business, financial condition and results of operations. Our businesses market and provide services in heavily regulated industries through a number of different online and offline channels across the United States. As a result, our businesses are subject to a variety of laws, rules, regulations, policies and procedures in various jurisdictions in the United States, which are subject to change at any time.

Our businesses conduct marketing activities via the telephone, the mail and through online marketing channels. These marketing activities are governed by numerous federal and state regulations, such as the Telemarketing Sales Rule, state telemarketing laws, federal and state privacy laws, the CAN-SPAM Act, and the Federal Trade Commission Act.

Additional federal, state and in some instances, local, laws regulate residential lending activities in particular. These laws generally regulate the manner in which lending and lending-related activities are marketed or made available, including advertising and other consumer disclosures, payments for services and record keeping requirements. These laws include the Real Estate Settlement Procedures Act, or RESPA, the Fair Credit Reporting Act, the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Housing Act and various state laws. In addition, state laws often restrict the amount of interest and fees that may be charged by a lender or mortgage broker, or otherwise regulate the manner in which lenders or mortgage brokers operate or advertise. Furthermore, Congress, many state legislatures and state agencies are proposing, or have recently implemented, additional restrictions on mortgage lending practices. Compliance with these new requirements may render it more difficult to operate or may raise our internal costs. Failure to comply with applicable laws and regulatory requirements may result in, among other things, revocation of required licenses or registrations, loss of approval status, termination of contracts without compensation, administrative enforcement actions and fines, class action lawsuits, cease and desist orders and civil and criminal liability.

Most states require licenses to solicit, broker or make loans secured by residential mortgages and other consumer loans to residents of those states, and in many cases require the licensure or registration of individual employees engaged in aspects of this business. In 2008, Congress mandated that all states adopt certain minimum standards for the licensing of individuals involved in mortgage lending or loan brokering, and many state legislatures and state agencies are in the process of adopting or implementing additional licensing, continuing education, and similar requirements on mortgage lenders, brokers and their employees. Compliance with these new requirements may render it more difficult to operate or may raise our internal costs. The application of these requirements to persons operating online is not always clear. Moreover, any of the licenses or rights currently held by our businesses or our employees may be revoked prior to, or may not be renewed upon, their expiration. In addition, our businesses or our employees may not be granted new licenses or rights for which they may be required to apply from time to time in the future.

Likewise, states or municipalities may adopt statutes or regulations making it unattractive, impracticable, or infeasible for our businesses to continue to conduct business in that jurisdiction. The withdrawal from any jurisdiction due to emerging legal requirements could adversely affect our business, financial condition and results of operations.

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Our businesses are also subject to various state, federal and/or local laws, rules and regulations that regulate the amount and nature of fees that may be charged for transactions and incentives, such as rebates, that may be offered to consumers by our businesses, as well as the manner in which these businesses may offer, advertise or promote transactions. For example, RESPA generally prohibits the payment or receipt of referral fees and fee shares or splits in connection with residential mortgage loan transactions, subject to certain exceptions. The applicability of referral fee and fee sharing prohibitions to lenders and real estate providers, including online networks, may have the effect of reducing the types and amounts of fees that may be charged or paid in connection with real estate-secured loan offerings or activities, including mortgage brokerage and lending, or otherwise limiting the ability to conduct marketing and referral activities.

Passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act and related legislative or executive actions may have a significant impact on our business, results of operations and financial condition.

In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which contains a comprehensive set of provisions designed to govern the practices and oversight of financial institutions and other participants in the financial markets. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, and to prepare numerous studies and reports for Congress, which could result in additional legislative or regulatory action. The federal agencies are given significant discretion in drafting the rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act, as well as other legislative and regulatory changes, could have a significant impact on us by, for example, requiring us to change our business practices, limiting our ability to pursue business opportunities, imposing additional costs on us, limiting fees we can charge, impacting the value of our assets, or otherwise adversely affecting our businesses. Among other things, the Dodd-Frank Act established the Bureau of Consumer Financial Protection to regulate consumer financial services and products, including credit, savings and payment products. The effect of the Dodd-Frank Act on our business and operations could be significant, depending upon final implementing regulations, the actions of our competitors and the behavior of other marketplace participants. In addition, we may be required to invest significant management time and resources to address the various provisions of the Dodd-Frank Act and the numerous regulations that are required to be issued under it.

In light of recent conditions in the U.S. financial markets and economy, as well as a heightened regulatory and Congressional focus on consumer lending, regulators have increased their scrutiny of the financial services industry, the result of which has included new regulations and guidance. We are unable to predict the long-term impact of this enhanced scrutiny.

If Network Lenders fail to produce required documents for examination by, or other affiliated parties fail to make certain filings with, state regulators, we may be subject to fines, forfeitures and the revocation of required licenses.

Some of the states in which our businesses maintain licenses require them to collect various loan documents from Network Lenders and produce these documents for examination by state regulators. While Network Lenders are contractually obligated to provide these documents upon request, these measures may be insufficient. Failure to produce required documents for examination could result in fines, as well as the revocation of our businesses' licenses to operate in key states, which could have a material adverse affect on our business, financial condition and results of operations.

Regulations promulgated by some states may impose compliance obligations on directors, executive officers, large customers and any person who acquires a certain percentage (for example, 10% or more)

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of our common stock, including requiring such persons to periodically file financial and other personal and business information with state regulators. If any such person refuses or fails to comply with these requirements, our businesses may be unable to obtain a license, and existing licensing arrangements may be jeopardized. The inability to obtain, or the loss of, required licenses could have a material adverse effect on our business, financial condition and results of operations.

Our success depends, in part, on the integrity of our systems and infrastructures. System interruption and the lack of integration and redundancy in these systems and infrastructures may have an adverse impact on our business, financial condition and results of operations.

Our success depends, in part, on our ability to maintain the integrity of our systems and infrastructures, including websites, information and related systems, call centers and distribution and fulfillment facilities. We also rely on third-party computer systems, broadband and other communications systems and third-party service providers to assist us provide the services we offer and to facilitate, process and fulfill transactions. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, acts of war or terrorism, acts of God, unauthorized intrusions or computer viruses, and similar events or disruptions may damage or interrupt computer, broadband or other communications systems and infrastructures at any time. System interruption, outages or delays or the lack of integration and redundancy in our information systems and infrastructures or in those of third parties on which we rely may adversely affect our ability to operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these adverse events were to occur, it could adversely affect our business, financial condition and results of operations.

We have identified a material weakness in our disclosure controls and procedures and internal controls over financial reporting, and we may be unable to develop, implement and maintain appropriate controls in future periods.

We have identified a material weakness in our disclosure controls and procedures and our internal controls over financial reporting relating to ineffective controls over the application and monitoring of accounting for income taxes. Specifically, we did not have controls designed and in place to ensure effective oversight of the work performed by, and the accuracy of financial information provided by, third party tax advisors. Until remediated, this material weakness could result in a misstatement in tax-related accounts that could result in a material misstatement in our interim or annual consolidated financial statements and disclosures.

We are currently in the process of addressing and remediating the deficiencies that gave rise to this material weakness. Since the material weakness was identified, we have undertaken an evaluation of our available resources to provide effective oversight of the work performed by our third party tax advisors and are in the process of identifying necessary changes to our processes as required. Additionally, we are evaluating the resources available and provided to us by the third party tax advisors and identifying changes as required.

If we are unable to maintain appropriate internal controls, we may not have adequate, accurate or timely financial information, we may experience material post-closing adjustments in future financial statements and we may be unable to meet our reporting obligations or comply with the requirements of the SEC or the Sarbanes-Oxley Act of 2002, which could result in the imposition of sanctions, including the inability of registered broker dealers to make a market in our common stock, or investigation by regulatory authorities. Any such action or other negative results caused by our inability to meet our reporting requirements or comply with legal and regulatory requirements or by disclosure of an accounting, reporting or control issue could adversely affect the trading price of our securities. We

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cannot provide assurance that our remediation measures will be completed or become effective by any given date.

Further and continued determinations that there are significant deficiencies or material weaknesses in the effectiveness of our internal controls could also reduce our ability to obtain financing or could increase the cost of any financing we obtain and require additional expenditures to comply with applicable requirements.

The processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

In the processing of consumer transactions, our businesses receive, transmit and store a large volume of personally identifiable information and other user data. The sharing, use, disclosure and protection of this information are governed by our privacy and data security policies. Moreover, there are federal, state and international laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. We could be adversely affected if legislation or regulations are expanded to require changes in business practices or privacy policies, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations.

Our businesses may also become exposed to potential liabilities as a result of differing views on the privacy of consumer and other user data our businesses collect. Our failure, or the failure by the various third party vendors and service providers with which we do business, to comply with applicable privacy policies or federal, state or international laws or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage the reputation of our businesses, discourage potential users from our products and services and result in fines and proceedings by governmental agencies and consumers, any which could adversely affect our business, financial condition and results of operations.

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

We may fail to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties. Our intellectual property rights are critical to our success. Our businesses also rely heavily upon software codes, informational databases and other components that make up their products and services.

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

We have generally registered and continue to apply to register, or secure by contract when appropriate, our principal trademarks and service marks as they are developed and used, and reserve and register domain names when and where we deem appropriate. We generally consider the protection of our trademarks to be important for purposes of brand maintenance and reputation. Effective trademark protection may not be available or may not be sought in every country in which our products and services are made available, and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available or be

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registered, even if available. Our failure to protect our intellectual property rights in a meaningful manner or challenges to related contractual rights could result in erosion of brand names and limit our ability to control marketing on or through the Internet using our various domain names or otherwise, which could adversely affect our business, financial condition and results of operations.

Some of our businesses have been granted patents or have patent applications pending with the United States Patent and Trademark Office or various foreign patent authorities for various proprietary technologies and other inventions. We consider applying for patents or for other appropriate statutory protection when we develop valuable new or improved proprietary technologies or inventions are identified, and will continue to consider the appropriateness of filing for patents to protect future proprietary technologies and inventions as circumstances may warrant. The status of any patent involves complex legal and factual questions, and the breadth of claims allowed is uncertain. Accordingly, any patent application filed may not result in a patent being issued or existing or future patents may not be found by a court to be valid or be afforded adequate protection against competitors with similar technology. In addition, third parties may create new products or methods that achieve similar results without infringing upon patents that we own. Likewise, the issuance of a patent to us does not mean that our processes or inventions will be found not to infringe upon patents or other rights previously issued to third parties.

From time to time, in the ordinary course of business we are subjected to legal proceedings and claims, or threatened legal proceedings or claims, including allegations of infringement of the trademarks, copyrights, patents and other intellectual property rights of third parties. In addition, litigation may be necessary in the future to enforce our intellectual property rights, protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Patent litigation tends to be particularly protracted and expensive, as evidenced by the patent litigation settlements we announced in the first quarter of 2010.

Our framework for managing risks may not be effective in mitigating our risk of loss.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor and report the types of risk to which we are subject, including credit risk, market risk, liquidity risk, operational risk, legal and compliance risk, and strategic risk. We seek to monitor and control our risk exposure through a framework of policies, procedures and reporting requirements. Management of our risks in some cases depends upon the use of analytical and forecasting models. If the models that we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

Acquisitions or strategic investments that we pursue may not be successful and could disrupt our business and harm our financial condition.

We may consider or undertake strategic acquisitions of, or material investments in, businesses, products, portfolios of loans or technologies, such as our recent acquisition of certain assets of SurePoint Lending. We may not be able to identify suitable acquisition or investment candidates, or even if we do identify suitable candidates, they may be difficult to finance, expensive to fund and there is no guarantee that we can obtain any necessary regulatory approvals or complete the transactions on terms that are favorable to us. To the extent we pay the purchase price of any acquisition or investment in cash, it would reduce our cash balances and regulatory capital, which may have an adverse effect on our financial condition; similarly, if the purchase price is paid with our stock, it would be dilutive to

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our stockholders. In addition, we may assume liabilities associated with a business acquisition or investment, including unrecorded liabilities that are not discovered at the time of the transaction, and the repayment of those liabilities may have an adverse effect on our financial condition.

We may not be able to successfully integrate the personnel, operations, businesses, products, or technologies of an acquisition or investment. Integration may be particularly challenging if we enter into a line of business in which we have limited experience and the business operates in a difficult legal, regulatory or competitive environment. We may find that we do not have adequate operations or expertise to manage the new business. The integration of any acquisition or investment may divert our management's time and resources from our core business, which could impair our relationships with our current employees, customers and strategic partners and disrupt our operations. Acquisitions and investments also may not perform to our expectations for various reasons, including the loss of key personnel or customers. If we fail to integrate acquisitions or investments or realize the expected benefits, we may lose the return on these acquisitions or investments or incur additional transaction costs and our business and financial condition may be harmed as a result.

Market price and trading volume of our common stock may be volatile and may face negative pressure.

The market price for our common stock has been volatile since our spin-off. This volatility has likely been exacerbated by recent market instability. The market price for our common stock could continue to fluctuate significantly for many reasons, including the risks identified herein or reasons unrelated to our performance. These factors may result in short or long-term negative pressure on the value of our common stock.

Risks Related to the HLC Asset Sale Transaction

The failure to complete the HLC asset sale transaction may result in a decrease in the market value of our common stock and limit our ability to grow and implement our business strategies.

Discover Bank's obligation to close the HLC asset sale transaction is subject to a number of contingencies, including approval by our stockholders, Discover Bank's receipt of approvals from regulatory authorities to complete the transactions contemplated by the asset purchase agreement, Discover Bank's receipt of binding written proposals from certain identified financial institutions relating to their commitments to purchase mortgage loans funded by the LendingTree Loans business after the closing of the HLC asset sale transaction, our obtaining of consents required under certain agreements to which we are a party, Discover Bank's employment of David Norris, the current president of HLC Inc., Discover Bank's employment of a certain number of employees from certain divisions and locations of the LendingTree Loans business, our compliance with certain required ratios and metrics with respect to the LendingTree Loans business during the period prior to the closing, release of all liens on the assets being sold to Discover Bank and other closing conditions set forth in the asset purchase agreement. We cannot control some of these conditions and we cannot assure you that they will be satisfied, or that Discover Bank will waive any that are not satisfied. If the HLC asset sale transaction is not completed, we may be subject to a number of risks, including the following:

- we may not be able to identify an alternate transaction. If an alternate transaction is identified, such alternate transaction may not result in an equivalent price to what is proposed in the HLC asset sale transaction;
- the trading price of our common stock may decline to the extent that the current market price reflects a market assumption that the HLC asset sale transaction will be completed;
- our relationships with our customers, suppliers and employees may be damaged and our business may be harmed; and
- we may be required to pay Discover Bank a termination fee of $2.2 million.

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The occurrence of any of these events individually or in combination could have a material adverse effect on our business, financial condition and results of operation and the market value of our common stock may decline.

Additionally, we have incurred substantial transaction costs and diversion of management resources in connection with the HLC asset sale transaction, and we will continue to do so until the closing. If the HLC asset sale transaction is not completed, we will be entitled to receive a termination fee or damages from Discover Bank in only limited circumstances. Even if we do receive such a fee or damages, it may not fully compensate us for costs incurred, lost opportunities and damages to the LendingTree Loans business caused by the pendency of this transaction.

While the HLC asset sale transaction is pending, it creates uncertainty about our future which could have a material and adverse effect on our business, financial condition and results of operations.

While the HLC asset sale transaction is pending, it creates uncertainty about our future. As a result of this uncertainty, our current or potential business partners may decide to delay, defer or cancel entering into new business arrangements with us pending completion or termination of the HLC asset sale transaction. In addition, while the HLC asset sale transaction is pending, we are subject to a number of risks, including:

- the diversion of management and employee attention from our day-to-day business;
- the potential disruption to business partners and other service providers;
- the loss of employees who may depart due to their concern about losing their jobs following the HLC asset sale transaction; and
- we may be unable to respond effectively to competitive pressures, industry developments and future opportunities.

The occurrence of any of these events individually or in combination could have a material adverse effect on our business, financial condition and results of operation.

The asset purchase agreement limits our ability to pursue alternatives to the HLC asset sale transaction.

The asset purchase agreement contains provisions that make it more difficult for us to sell the LendingTree Loans business to a party other than Discover Bank. These provisions include a non-solicitation provision (including certain matching rights), a provision requiring that we submit the HLC asset sale transaction to our stockholders for approval unless the asset purchase agreement has been terminated in accordance with its terms, and provisions obligating us to pay Discover Bank a termination fee of $2.2 million under certain circumstances. These provisions could discourage a third party that might have an interest in acquiring all of or a significant part of the LendingTree Loans business from considering or proposing such an acquisition, even if that party were prepared to pay consideration with a higher value than the consideration to be paid by Discover Bank.

If the HLC asset sale transaction is not completed, there may not be any other offers from potential acquirors.

If the HLC asset sale transaction is not completed, we may seek another purchaser for such assets. We have no indication that any other party will have an interest in purchasing these assets on terms acceptable to us, or at all.

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We will not receive the two additional $10 million payments if we do not meet certain conditions, including maintenance of the LendingTree Exchanges business and certain financial and operational metrics associated with the LendingTree Exchanges business.

Of the approximate $55.9 million purchase price for the assets we agreed to sell, $35,888,536 is due upon the closing of the transaction and $10 million is due on each of the first and second anniversaries of the closing of the transaction, subject to certain conditions as described in the asset purchase agreement. The conditions for the first and second $10 million payments include maintenance of the LendingTree Exchanges business and certain financial and operational metrics associated with the LendingTree Exchanges business. Maintenance of such financial and operational metrics is not fully within our control. If any of the conditions to which such $10 million payments are subject are not satisfied, we will not receive such payments. See "ASSET PURCHASE AGREEMENT Purchase Price" below.

The asset purchase agreement may expose us to contingent liabilities.

Under the asset purchase agreement, we have agreed to indemnify Discover Bank for a breach or inaccuracy of any representation, warranty or covenant made by us in the asset purchase agreement, for any liability of ours that is not being assumed by Discover Bank, for any claims by our stockholders against Discover Bank and for our failure to comply with any applicable bulk sales law, subject to certain limitations. Significant indemnification claims by Discover Bank could have a material adverse effect on our financial condition. See "ASSET PURCHASE AGREEMENT Indemnification" below.

We cannot compete in the business of originating, funding or selling of mortgages for three years from the date of closing.

Subject to specified exceptions, we have agreed we will not establish, own, manage, operate, control, invest in or otherwise engage in the business of origination, funding or sales of mortgages within the United States for three years from the date of closing. See "ASSET PURCHASE AGREEMENT Additional Covenants" below. Should market conditions or our strategic direction change, we will not be able to re-establish mortgage lending as part of our business during the restricted period.

Under specified circumstances, if the asset purchase agreement is terminated and prior to such termination an acquisition proposal has been publicly announced or if our board of directors changes its recommendation that our stockholders approve the HLC asset sale transaction, we will have to pay Discover Bank a fee of $2.2 million. The requirement to pay such termination fee may discourage third parties from submitting an acquisition proposal.

Under the terms of the asset purchase agreement, we must pay Discover Bank a fee of $2.2 million if (i) we or Discover Bank terminate the asset purchase agreement because the closing of the HLC asset sale transaction has not occurred on or before October 9, 2011, unless otherwise extended, and prior to such termination, an acquisition proposal is publicly disclosed, (ii) we or Discover Bank terminate the asset purchase agreement if our stockholders do not approve the HLC asset sale transaction at the Special Meeting and, prior to such termination, an acquisition proposal is publicly disclosed, (iii) Discover Bank terminates the asset purchase agreement because our board of directors changed its recommendation to our stockholders prior to the approval of the HLC Asset Sale Proposal by our stockholders or we violated certain other covenants related to such recommendation or (iv) Discover Bank terminates the asset purchase agreement because we failed to hold a stockholders meeting to vote on the HLC Asset Sale Proposal by October 9, 2011 and such failure is due to a material breach of our covenants relating to holding such meeting. The requirement that we pay Discover Bank the $2.2 million termination fee may discourage third parties from submitting an acquisition proposal.

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Because the LendingTree Loans business represented approximately 62.7% of our total revenues last year, our business following the HLC asset sale transaction will be substantially reduced. Many of our overhead costs will represent a greater percentage of our revenues.

The LendingTree Loans business represented approximately 62.7% of our total revenues in 2010, and 54.3% and 42.8% in 2009 and 2008. Following the HLC asset sale transaction, we will continue to operate only the LendingTree Exchanges business.

Our results of operation and financial condition may be materially adversely effected if we fail to effectively reduce our overhead costs to reflect the reduced scale of our operations or the LendingTree Exchanges business does not perform to our expectations.

Because our business will be smaller following the HLC asset sale transaction, our common stock may be delisted from the NASDAQ Global Market if we fail to satisfy the continued listing standards of that market.

If we are unable to satisfy the continued listing standards of the NASDAQ Global Market, our common stock may be delisted from that market. In order to continue to be listed on the NASDAQ Global Market, we must meet the bid price and total stockholders requirements as set forth in NASDAQ Listing Rule 5450(a) and at least one of the three standards in NASDAQ Listing Rule 5450(b). Pursuant to NASDAQ Listing Rule 5450(a), the bid price of our common stock cannot fall below $1.00 per share for 30 consecutive business days and we must have at least 400 total stockholders (including both holders of beneficial interest and holders of record). We believe that to continue to qualify for listing on the NASDAQ Global Market, we will need to satisfy the Equity Standard under NASDAQ Listing Rule 5450(b), which requires:

stockholders' equity of at least $10 million;

at least 750,000 publicly held shares (total shares outstanding, less any shares held directly or indirectly by officers, directors or any person who is the beneficial owner of more than 10% of the total shares outstanding of the company);

market value of publicly held shares of at least $5 million; and

at least two registered and active market makers.

If we do not satisfy those standards and we are delisted from the NASDAQ Global Market, we may apply to transfer our common stock listing to the NASDAQ Capital Market. However, our application may not be granted if we do not satisfy the applicable listing requirements for the NASDAQ Capital Market at the time of the application. Even if we successfully transfer our common stock listing to the NASDAQ Capital Market, our common stock could be delisted from the NASDAQ Capital Market if we fail to satisfy the continued listing standards for that tier of the NASDAQ Stock Market. If our common stock were delisted from the NASDAQ Stock Market, we may apply to transfer our common stock listing to the NYSE Amex Equities market. However, our application may not be granted if we do not satisfy the applicable listing requirements for that market at the time of the application. If our common stock were to be delisted from the NASDAQ Global Market and we could not satisfy the listing standards of the NASDAQ Capital Market or the NYSE Amex Equities market, trading of our common stock most likely would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. Such trading could substantially reduce the market liquidity of our common stock. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock.

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If our common stock is delisted from the NASDAQ Global Market and we could not satisfy the listing standards of the NASDAQ Capital Market or the NYSE Amex Equities market and the trading price were to decline from current levels such that it remained below $5.00 per share, trading in our common stock might also become subject to the requirements of certain rules promulgated under the Exchange Act, which require additional disclosure by broker-dealers in connection with any trade involving a stock defined as a "penny stock" (generally, any equity security not listed on a national securities exchange that has a market price of less than $5.00 per share, subject to certain exceptions). Many brokerage firms are reluctant to recommend low-priced stocks to their clients. Moreover, various regulations and policies restrict the ability of stockholders to borrow against or "margin" low-priced stocks, and declines in the stock price below certain levels may trigger unexpected margin calls. Additionally, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current price of the common stock can result in an individual stockholder paying transaction costs that represent a higher percentage of total share value than would be the case if our share price were higher. This factor may also limit the willingness of institutions to purchase our common stock. Finally, the additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from facilitating trades in our common stock, which could severely limit the market liquidity of the stock and the ability of investors to trade our common stock.

If we were to fail to meet the listing requirements of the NASDAQ Stock Market and then do not take such corrective action as the NASDAQ Listing Qualifications Department may require, trading in our securities may be halted and we may be delisted from the NASDAQ Global Market.

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PROPOSAL #1
HLC ASSET SALE PROPOSAL

Parties to the Asset Purchase Agreement

Tree.com, Inc., LendingTree, LLC, HLC Inc., and HLC Escrow, Inc.

Tree.com is the parent of LendingTree, LLC, Home Loan Center, Inc. and HLC Escrow, Inc. Tree.com is publicly traded on the NASDAQ Global Market (symbol: TREE). We currently operate our business in two segments. Under our LendingTree Loans segment we originate, process, approve and fund various residential real estate loans through Home Loan Center, Inc., which we sometimes refer to as HLC Inc. We sometimes refer to the business we operate under this segment as the LendingTree Loans business. Under our Exchanges segment we provide online lead generation networks and call centers that connect consumers and service providers principally in the lending, real estate, higher education, home service, insurance and automobile marketplaces. We sometimes refer to the business we operate under this segment as the LendingTree Exchanges business. The principal executive offices of Tree.com, Inc. and LendingTree, LLC are located at 11115 Rushmore Drive, Charlotte, North Carolina 28277 and the phone number is (704) 541-5351. The principal executive offices of HLC Inc. and HLC Escrow, Inc. are located at 163 Technology Drive, Irvine, California 92618 and the phone number is (888) 866-1212.

Discover Bank

Discover Bank, a Delaware banking corporation, is a wholly-owned subsidiary of Discover Financial Services which is publicly traded on the New York Stock Exchange (symbol: DFS). Discover Financial Services is a direct banking and payment services company which offers credit cards, student loans, personal loans and deposit products through Discover Bank. Discover Financial Services is a bank holding company under the Bank Holding Company Act of 1956, subject to oversight, regulation and examination by the Board of Governors of the Federal Reserve System and is also a financial holding company under the Gramm-Leach-Bliley Act. The principal executive offices of Discover Bank are located at 12 Read's Way, New Castle, Delaware 19720 and the phone number is (302) 323-7184.

Background of the HLC Asset Sale Transaction

Over the past several years, the mortgage industry has experienced significant volatility due to various factors including the decline in housing values, increased mortgage defaults related to such decline and to the relaxed lending standards that preceded such decline, the failure of government intervention in many banks and other financial institutions, and the resulting periods of constrained credit availability and tighter lending standards. The combination of these factors and the general decline in the economy have significantly limited many consumers' ability to qualify for mortgage refinancings or afford new home purchases. Furthermore, a general increase in the interest rate environment has been predicted for some time, which would make the possibility of refinancing existing home mortgages less compelling to consumers and, thereby, adversely affect the LendingTree Loans business. In addition, changes in legal and regulatory requirements to which the LendingTree Loans business is subject have made it more costly in certain respects for us to operate our business. Our board of directors, with the assistance of management, has periodically reviewed and assessed our company's business strategy and the various trends and conditions affecting our company and conditions affecting the mortgage industry in general. Our board of directors has explored a variety of strategic alternatives with the goal to increase revenue and profitability and maximize stockholder value. This review and assessment has included, among other things, consideration of whether it would be in the best interests of our stockholders for our company to continue to operate the LendingTree Loans business.

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During the spring of 2010, representatives of an investment bank contacted Douglas R. Lebda, our chairman and chief executive officer, concerning the possible interest of one of its clients, Party A, in exploring a potential strategic transaction involving HLC Inc.

On June 8, 2010, Mr. Lebda met with representatives of Party A to discuss the businesses of their respective companies and the possibility a potential strategic transaction involving HLC Inc.

On June 29, 2010, representatives of J.P. Morgan Securities Inc. contacted Mr. Lebda concerning the possible interest by one of its clients in exploring a potential strategic transaction involving HLC Inc. Such client was later identified as Discover Financial Services which we sometimes refer to as DFS.

On July 22, 2010, we and DFS entered into a mutual non-disclosure and confidentiality agreement in contemplation of a meeting between the parties scheduled for July 30, 2010.

On July 26, 2010, Mr. Lebda had a telephone call with representatives of JPMorgan to discuss preparations for the July 30, 2010 meeting.

On July 30, 2010, representatives of our company and DFS met at our corporate headquarters in Charlotte, North Carolina. At that meeting, our representatives provided the DFS representatives with an overview of the LendingTree Loans business and the representatives discussed generally the possibility of a strategic transaction involving HLC Inc.

On August 2 and 3, 2010, representatives of Party A visited HLC Inc.'s corporate headquarters in Irvine, California, to meet with executives of our company and HLC Inc. At that meeting, our representatives provided the representatives of Party A an overview of the LendingTree Loans business.

On August 17, 2010, representatives of DFS visited HLC Inc.'s corporate headquarters in Irvine, California, to meet with executives of our company and HLC Inc. At that meeting, our representatives provided the representatives of DFS with an updated overview of the LendingTree Loans business.

On September 9, 2010, we provided due diligence materials to DFS in response to due diligence requests.

During September and October 2010, DFS continued its due diligence investigation of the LendingTree Loans business.

As of September 16, 2010, we executed a non-disclosure agreement with Party B, who was introduced to us by a representative of Milestone Advisors, LLC for the purpose of exploring a potential strategic transaction involving HLC Inc.

On October 13, 2010, representatives of Party B visited HLC Inc.'s corporate headquarters in Irvine, California, to meet with executives of our company and HLC Inc. At that meeting, our representatives provided the representatives of Party B with an overview of the LendingTree Loans business. Following that meeting, Milestone Advisors informed us that Party B was not interested in pursuing a strategic transaction involving HLC Inc. at this time.

On November 3, 2010, Mr. Lebda contacted representatives of JPMorgan to inform them that our company was going to conduct an issuer tender offer and that we were discontinuing discussions with DFS regarding a potential strategic transaction involving HLC Inc.

On November 16, 2010, we announced that HLC Inc. entered into an asset purchase agreement with First Residential Mortgage Network, Inc. dba SurePoint Lending. Pursuant to this agreement, HLC Inc. agreed to purchase certain specified assets and liabilities of SurePoint related to its mortgage loan, title and escrow and related services businesses. We refer to the acquisition by HLC Inc. of these assets and liabilities of SurePoint as the SurePoint acquisition.

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On November 18, 2010, we launched a modified "Dutch auction" issuer tender offer for up to $15 million in value of shares of our common stock. Following expiration of the offer on December 17, 2010, we accepted for purchase 312,339 shares of our common stock at a price of $7.75 per share, for an aggregate purchase price of approximately $2.4 million.

On January 11, 2011, Mr. Lebda contacted representatives of each of Party A and DFS to re-assess their respective interest in restarting discussions concerning a potential strategic transaction involving HLC Inc. The representative of Party A informed Mr. Lebda that Party A was not interested in restarting discussions. The representative of DFS informed Mr. Lebda that DFS was interested in restarting discussions.

On January 27, 2011, DFS, through JPMorgan, provided a non-binding indication of interest to acquire certain assets and assume certain liabilities of the LendingTree Loans business and to establish a multi-year agreement under which we would continue to operate a loan origination business that would serve customers generated by the LendingTree Exchanges, with DFS providing mortgage processing services to HLC Inc. We refer to this non-binding indication of interest as the January 2011 proposal. The January 2011 proposal valued the assets and liabilities proposed to be acquired and assumed at between $50 million and $55 million. The January 2011 proposal reserved judgment, pending further due diligence, as to whether DFS would acquire the assets and liabilities we agreed to acquire in the SurePoint acquisition.

On February 2, 2011, a representative of our company spoke with representatives of JPMorgan and DFS to discuss the January 2011 proposal. During this conversation, the representative of our company indicated that continuing to maintain our mortgage origination business was undesirable due to the costs involved and the restrictions that would be imposed under continued warehouse lending agreements. The representative of our company indicated that our company would prefer to sell to DFS certain assets and have DFS assume certain liabilities of the LendingTree Loans business, including the assets and liabilities to be acquired in the SurePoint acquisition, for use by DFS in the operation of its own mortgage business. The representatives of both parties agreed to consider additional alternatives that would address our company's concerns and for DFS to commence due diligence on HLC Inc.

On February 8, 2011, Party C contacted representatives of HLC Inc. concerning its possible interest in exploring a potential strategic transaction involving HLC Inc. or a commercial relationship with HLC Inc. Party C indicated that it had a relationship with potential financing sources that could finance such a transaction or relationship.

On February 9, 2011, representatives of HLC Inc. provided preliminary information regarding the LendingTree Loans business to Party C.

On February 14 and 15, 2011, representatives of DFS visited HLC Inc.'s corporate headquarters in Irvine, California, to continue their due diligence on HLC Inc. At that meeting, our representatives provided representatives of DFS with an update on the business and financial position of the LendingTree Loans business.

On February 25, 2011, representatives of our company and DFS held a telephone meeting to discuss the structure of a potential strategic transaction involving HLC Inc.

During early March 2011, we terminated discussions with Party C because we determined that such discussions were not reasonably likely to lead to a strategic transaction that would be in the best interests of our company and our stockholders. In particular, we were concerned about Party C's lack of prior operational experience in consumer mortgage lending and the uncertainty of Party C's financing.

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On March 4, 2011, representatives of our company and DFS held a meeting at our corporate headquarters in Charlotte, North Carolina. At that meeting, representatives of DFS presented a revised proposal to acquire all of the operating assets of HLC Inc., including certain of the assets to be acquired in the SurePoint acquisition, and assume certain liabilities for a purchase price of between $50 million and $55 million. In response, representatives of our company requested that DFS propose a purchase price of $55 million rather than the range of between $50 million and $55 million, and that DFS also consider providing our company with a revolving credit facility. The parties agreed that DFS would provide our company with a revised proposal. In addition, the parties discussed the potential terms of a lead sale agreement under which we would sell leads generated by the LendingTree Exchanges to DFS.

On March 7, 2011, our board of directors held a meeting at which Mr. Lebda provided the board with a report of the March 4, 2011 meeting. The board also discussed the status of the SurePoint acquisition.

On March 9, 2011, DFS provided a revised non-binding indication of interest to acquire certain assets and assume certain liabilities of the LendingTree Loans business and an exclusivity agreement. We refer to this revised non-binding indication of interest as the March 9, 2011 proposal. The exclusivity agreement provided that we would negotiate exclusively with DFS concerning a proposed transaction for 45 days. The March 9, 2011 proposal provided that an affiliate of DFS would acquire certain assets and assume certain liabilities of the LendingTree Loans business for a purchase price of $55 million, $40 million of which would be paid at the closing of the transaction and $15 million of which would be payable upon the achievement of performance metrics to be agreed upon and the delivery of certain marketing consulting services. In addition, the March 9, 2011 proposal contemplated that a portion of the consideration otherwise payable at closing would be held back to cover indemnification obligations, if any, of our company.

On March 14, 2011, HLC Inc. and SurePoint entered into a first amendment to the asset purchase agreement for the SurePoint acquisition. The first amendment extended the date by which the SurePoint acquisition had to be completed from March 15, 2011 to March 16, 2011.

On March 15, 2011, a representative of our company provided representatives of DFS with a revised draft of the March 9, 2011 proposal and of the proposed exclusivity agreement. In our revised draft we proposed to add greater detail and certainty to the terms under which we would earn the $15 million contingent portion of the proposed purchase price. The revised draft proposal also removed the proposed escrow requirement and proposed that DFS provide our company a $25 million line of credit. The revised draft of the exclusivity agreement provided that DFS would have a 30-day exclusivity period, but if the parties did not reach agreement on the material terms of an agreement for the sale of leads or the marketing consulting services agreement within seven days, then exclusivity would terminate.

On March 15, 2011, HLC Inc. and SurePoint entered into a second amendment to the asset purchase agreement for the SurePoint acquisition. The second amendment revised the terms of the purchase price HLC Inc. agreed to pay to SurePoint to a single cash payment of $8 million upon the closing of the transaction. On the same day, HLC Inc. completed the SurePoint acquisition.

Between March 15, 2011 and March 21, 2011, representatives of our company and of DFS continued to negotiate the terms of a non-binding indication of interest and exclusivity agreement.

On March 21, 2011, our board of directors held a meeting at which Mr. Lebda provided the board with an update on the negotiations with DFS. Mr. Lebda informed the board that the negotiations with DFS had resulted in proposed terms pursuant to which an affiliate of DFS would acquire certain assets and assume certain liabilities of the LendingTree Loans business for a purchase price of $55 million, of which $45 million would be paid at the closing of the transaction and $5 million would be payable on

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each of the first and second anniversaries of the closing, and that DFS would have a 30-day exclusivity period, but if the parties did not reach agreement on the material terms of an agreement for the sale of leads or the marketing consulting services agreement within 10 days, then exclusivity would terminate. Following a discussion of foregoing terms, our board of directors authorized our entry into an exclusivity agreement substantially in accordance with the terms discussed at that meeting.

On March 21, 2011, our company and DFS executed a non-binding indication of interest and entered into an exclusivity agreement upon the terms reviewed by our board of directors earlier that day. We refer to this non-binding indication of interest as the indication of interest. The indication of interest contemplated that no approval of our stockholders would be required for the proposed transaction and required a legal opinion from a Delaware law firm to the effect that the transaction was not a sale of all or substantially all of our assets that would require approval of our stockholders under Section 271 of the General Corporation Law of the State of Delaware, which we refer to as Section 271.

On March 28, 2011, representatives of DFS provided representatives of our company drafts of term sheets for a marketing consulting services agreement (sometimes referred to as the master services agreement) and a lead sale agreement (sometimes referred to as the CLO Services Agreement).

On April 1, 2011, the parties agreed on the material terms of a marketing services agreement and a lead sale agreement. Although this was one day beyond the 10-day period following the execution of the indication of interest, we agreed that the exclusivity agreement would remain in effect for the 30-day period.

During early April 2011, we engaged in discussions with Morris, Nichols, Arsht & Tunnell LLP, our Delaware counsel, concerning the due diligence and other items that would be required to obtain a legal opinion that an asset sale would not require stockholder approval under Section 271, as contemplated by DFS in the indication of interest. We also spoke with an investment bank concerning a valuation of our retained LendingTree Exchanges business for purposes of supporting a legal opinion from Morris Nichols.

On April 8, 2011, we provided to DFS an initial draft of the proposed asset purchase agreement.

On April 13, 2011, representatives of DFS contacted us to request that we extend the 30-day exclusivity period for two additional weeks to allow DFS to continue its due diligence.

On April 14, 2011, our board of directors held a meeting at which Mr. Lebda provided the board with an update on the negotiations with DFS, including DFS's request for a two-week extension of its 30-day exclusivity period. Following such meeting, we informed DFS that we would not extend the exclusivity period.

On April 22, 2011, we agreed with DFS that we would seek the same approval of our stockholders that would be required if the proposed transaction were deemed the sale of all or substantially all of our assets under Section 271. The reasons included the preference of DFS that we obtain such approval to avoid any doubts about the validity of the transaction, the anticipated costs of obtaining a legal opinion and related valuation of our retained business that would be required absent such stockholder approval, and a consideration of the governance benefits of having the holders of a majority of our outstanding shares approve the transaction.

On April 27, 2011, representatives of DFS provided a revised draft of the proposed asset purchase agreement to our outside counsel for the transaction, Sheppard, Mullin, Richter & Hampton LLP. This draft of the proposed asset purchase agreement named Discover Bank as the DFS affiliate that would be party to the agreement.

On April 27, 2011, our board of directors held a meeting at which it reviewed our company's results for the quarter ended March 31, 2011 and received an update on the negotiations with DFS. A

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representative of Sheppard Mullin provided a summary of the terms of the asset purchase agreement that were still being negotiated, including terms relating to restrictions on our ability to compete in the business of originating, funding or selling of mortgages, our indemnification obligations to Discover Bank for breaches of our representations, warranties and covenants, conditions to Discover Bank's obligation to close the transaction and circumstances under which a party would be required to pay a termination fee to the other party if the transaction did not close. Following discussion, our board of directors instructed management to continue discussions and negotiations with DFS.

On April 28, 2011, our board of directors engaged Milestone Advisors as its financial advisor to render an opinion to our company and our board of directors regarding the fairness, from a financial point of view, of the consideration to be received in the proposed sale of certain assets and assumption of certain liabilities of HLC Inc. to Discover Bank.

During the morning of April 30, 2011, Sheppard Mullin provided to DFS and its outside counsel for the transaction, Sidley Austin LLP, a revised draft of the asset purchase agreement. On April 30 and May 1, 2011, representatives of our company, Sheppard Mullin, DFS and Sidley Austin engaged in further discussions and negotiations regarding the terms of the proposed asset purchase agreement.

On May 1, 2011, Sidley Austin provided a draft of a proposed voting agreement to Sheppard Mullin. The proposed voting agreement provided that Mr. Lebda, who beneficially owns approximately 20% of our outstanding shares of common stock, a subsidiary of Liberty Media Corporation which beneficially owns approximately 25% of our outstanding shares, and various funds managed by Second Curve, LLC, which own less than 5% of our outstanding shares, would agree to vote all shares of our common stock they own in favor of the proposed transaction, would further agree not to dispose of any such shares prior to the closing of the proposed transaction and would agree in certain circumstances to share profits earned from an alternative transaction if the proposed transaction with DFS did not close.

On May 3, 2011, Sidley Austin provided a revised draft of the asset purchase agreement to Sheppard Mullin.

On May 4, 2011, representatives of our company, Sheppard Mullin, DFS and Sidley Austin discussed key areas of disagreement on deal terms, including the amount of the purchase price to be escrowed pending the discharge of certain liabilities that would remain with our company, the ability of Discover Bank to offset against the deferred portion of the purchase price for indemnification claims, the availability of specific performance, the end date for closing and the availability of and fees to be paid by Discover Bank for extensions to the end date for the purpose of obtaining regulatory approvals and loan purchase commitments from investors, the termination fee payable by Discover Bank should Discover Bank terminate the agreement for failure of regulatory approvals or the unavailability of loan repurchase commitments, the profit sharing provisions of the voting agreements, and additional compensation to be paid for potential expenses relating to leases for HLC Inc. offices that Discover Bank would not assume. Following agreement in principle on those terms, we announced on the same day that we would delay the release of our earnings for the quarter ended March 31, 2011, from May 6, 2011, as we had previously announced, to May 12, 2011. The primary reason for the delay was to provide extra time to negotiate and finalize the asset purchase agreement and other ancillary agreements so that announcement of the results for the quarter ended March 31, 2011 could include an announcement of a definitive agreement for the HLC asset sale transaction.

From May 4, 2011 through May 10, 2011, representatives of our company, Sheppard Mullin, DFS, Sidley Austin, and BuckleySandler LLP, additional counsel to DFS, continued negotiations of the terms of the proposed asset purchase agreement, including those identified above, representations and warranties, terms relating to limitations on our ability to solicit or negotiate acquisition proposals and fiduciary exceptions to such limitations, closing conditions, termination rights and the circumstances in which a termination fee would be payable by us to Discover Bank. Negotiations also included the terms of the master services agreement and the and the CLO Services Agreement.

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On May 5, 2011, Sheppard Mullin sent to Liberty Media Corporation a draft of the proposed voting agreement requested by Discover Bank. Between May 5, 2011 and May 12, 2011, representatives of our company, Sheppard Mullin, DFS and Sidley Austin had discussions with various representatives of Liberty Media, including its outside counsel, concerning whether Liberty Media would enter into a voting agreement and the terms of such agreement. Liberty Media agreed to enter into a voting agreement on May 11, 2011, and Liberty Media and Discover Bank agreed upon final terms of such agreement on May 12, 2011.

On May 9, 2011, Second Curve entered into a confidentiality agreement with our company and a representative of Sheppard Mullin then provided details of the proposed HLC asset sale transaction to a representative of Second Curve and a draft of the proposed voting agreement requested by Discover Bank. Between May 9, 2011 and May 12, 2011, representatives of our company and Sheppard Mullin had discussions with various representatives of Second Curve concerning the terms of the proposed voting agreement, and the representative of Sheppard Mullin conveyed Second Curve's concerns and requests to representatives of Discover Bank and Sidley Austin. Second Curve and Discover Bank agreed upon final terms of such agreement on May 12, 2011.

On May 10, 2011, we provided our preliminary financial results for the quarter ended March 31, 2011 to DFS.

On the evening of May 10, 2011, our board of directors met with its financial and legal advisors, including representatives of Milestone Advisors and Sheppard Mullin. Mr. Lebda summarized the economic terms of the proposed HLC asset sale transaction. Sheppard Mullin reviewed with the directors their fiduciary duties associated with approval of the proposed HLC asset sale transaction and a written summary of the terms of the proposed asset purchase agreement and the other ancillary agreements. Milestone Advisors reviewed with the directors its financial analysis of the proposed transaction and rendered to our board of directors its oral opinion, to be confirmed in writing, that, as of that date, the sum of (i) $35.9 million payable by Discover Bank to HLC Inc. plus (ii) the net liquidation value of the assets and liabilities of HLC Inc. and HLC Escrow, Inc. not being transferred to Discover Bank in the HLC asset sale transaction was fair, from a financial point of view, to our company. The analysis reviewed by Milestone Advisors with our board of directors at this meeting was substantially similar to the analysis discussed with our board of directors at the May 12, 2011 meeting more fully described beginning on page 41 of this proxy statement, and was based on the terms of the transaction as of May 10, 2011. Following such discussion, our board of directors unanimously determined to approve the proposed asset purchase agreement and the related transaction agreements, and the transactions contemplated by such agreements, and to recommend that our stockholders approve the HLC asset sale transaction.

Later in the evening of May 10, 2011, a representative of DFS contacted a representative of our company regarding our preliminary financial results for the quarter ended March 31, 2011, and suggested that representatives of each party hold a call to discuss and review the results.

On May 11, 2011, representatives of DFS and representatives of our company held a telephonic meeting to discuss our preliminary financial results for the quarter ended March 31, 2011.

Later on May 11, 2011, the board of directors of DFS met to consider the terms of the proposed HLC asset sale transaction. Subsequent to that meeting, a representative of DFS informed Mr. Lebda that Discover Bank would not proceed with the transaction unless certain terms of the transaction were modified. The modification requests included: a decrease in the amount payable at closing to $35.9 million from $45.9 million, with a corresponding increase in the amount payable on each of the first and second anniversaries of the closing from $5 million to $10 million, additional conditions for payment of the deferred payments, including operational metrics for the LendingTree Exchanges business following the closing, additional closing conditions and termination rights in favor of Discover Bank, including operational metrics for the LendingTree Loans business prior to closing and requirements for us to maintain compliance with our warehouse lending arrangements.

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On the evening of May 11, 2011, our directors held an informal meeting during which Mr. Lebda provided an update on the status of negotiations with Discover Bank and its proposed revised terms of the transaction.

Throughout the evening of May 11, 2011 and the early morning of May 12, 2011, representatives of our company, Sheppard Mullin, DFS, Sidley Austin and BuckleySandler continued to negotiate the terms of the revised terms of the proposed asset purchase agreement and the ancillary agreements.

Early in the morning on May 12, 2011, our board of directors met with its financial and legal advisors, including representatives of Milestone Advisors and Sheppard Mullin. Mr. Lebda discussed with the directors the events that had transpired since the board met on May 10, 2011. Sheppard Mullin reviewed with the directors a written summary of the revised terms of the proposed asset purchase agreement and the other ancillary agreements. Members of our management discussed with the board a written analysis of our company's ability to meet the operational metrics that were now conditions to closing or conditions to receipt of the total of $20 million of the deferred purchase price. Milestone Advisors reviewed with the directors its financial analysis of the revised terms of the proposed transaction and rendered to our board of directors its oral opinion, to be confirmed in writing, that, as of that date, the sum of (i) $35.9 million payable by Discover Bank to HLC Inc. plus (ii) the net liquidation value of the assets and liabilities of HLC Inc. and HLC Escrow, Inc. not being transferred to Discover Bank in the HLC asset sale transaction was fair, from a financial point of view, to our company. Such opinion is described below under the section entitled " Opinion of Our Financial Advisor." Discussions among the members of our board of directors and its financial and legal advisors ensued, including consideration of the factors described under " Reasons for the HLC Asset Sale Transaction and Recommendation of our Board of Directors." With respect to the revised terms that Discover Bank insisted upon, our board of directors discussed the implications of these new requirements, including as they related to the period of up to 300 days before Discover Bank might be obligated to close the transaction. Our board of directors recognized that meeting such requirements was not fully within the control of our company, and if we could not meet any one of the closing conditions, Discover Bank could terminate or seek to renegotiate the terms of the asset purchase agreement. Our board of directors discussed the potential damage to our business should that occur. Our board of directors also considered the financial results for the quarter ended March 31, 2011, including the significant losses incurred in the LendingTree Loans business, and the effect those results might have on the continued operation of the LendingTree Loans business or on finding another buyer for the business. Following such discussion, our board of directors unanimously determined to approve the proposed asset purchase agreement and the related transaction agreements, and the transactions contemplated by such agreements, and to recommend that our stockholders approve the HLC asset sale transaction.

Following the board meeting, Sheppard Mullin worked with Discover Bank's counsel to finalize the proposed asset purchase agreement and ancillary agreements.

Later on May 12, 2011, our company and Discover Bank exchanged signature pages, and the parties to the voting agreements exchanged signature pages with Discover Bank. Following the close of the market on May 12, 2011, we announced the execution of the asset purchase agreement and our financial results for the quarter ended March 31, 2011, and we held a publicly-accessible conference call in which we discussed both announcements.

Past Contacts, Transactions or Negotiations

Other than as described in the " Background of the HLC Asset Sale Transaction" above and the " Interests of Certain Persons in the HLC Asset Sale Transaction" below, we and our subsidiaries, on the one hand, and Discover Bank and DFS, on the other hand, have not had prior contacts, transactions, or negotiations, and other than as described therein there are no present or proposed

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material agreements, arrangements, understandings or relationships between our executive officers or directors and Discover Bank, its executive officers or directors.

Reasons for the HLC Asset Sale Transaction and Recommendation of our Board of Directors

In reaching its decision to approve the asset purchase agreement and the transactions contemplated thereby, and to recommend that our stockholders vote to approve the HLC asset sale transaction, our board of directors consulted with management and financial and legal advisors. Our board of directors considered all of the material factors relating to the asset purchase agreement and the proposed HLC asset sale transaction, many of which our board of directors believed supported its decision, including:

- the estimated consideration that we would receive in the HLC asset sale transaction in comparison to the risks associated with maintaining the operations of the LendingTree Loans business, which include those risk factors discussed above under "RISK FACTORS Risks Related to Our Company." Specifically, our board of directors believes that the HLC asset sale transaction was more favorable to our company than any other alternative reasonably available to our company, including maintaining the LendingTree Loans business, due to, among other things: (a) the precarious industry outlook, as reflected in the Mortgage Bankers Association's forecast for a decline in the volume of refinance loan originations in 2011 and 2012 of 53.5% and 53.8%, respectively, as of April 14, 2011, and its impact on our business, since refinance originations have comprised approximately 87% of our loan originations over the preceding three years from 2008-2010, (b) new legal and regulatory burdens impacting the operating environment in our industry, such as the Dodd-Frank Act and the pending Federal Reserve Loan Officer Compensation rules, which could adversely affect our operating costs, (c) the anticipated impact on our company of the above factors resulting in the incurrence of substantial operating losses and cash outflows over the foreseeable future, which could ultimately jeopardize our ability to continue operating our business, and (d) the perceived likelihood of completing a transaction with Discover Bank more expediently than other alternatives;

- that the consideration we would receive in the HLC asset sale transaction will provide us with substantial cash and allow cash that currently must be maintained to meet LendingTree Loan warehouse covenants to be used for other purposes, and enable us to invest more heavily in growing our lead generation business in our current verticals and in new verticals;

- that our resulting business profile, subsequent to completion of the transaction and wind-down of remaining assets and liabilities, would have lower fixed costs and hence more operating flexibility, and more clarity and focus which would allow us to dedicate our resources more fully to operating and growing our Exchanges lead generation business;

- the process conducted with respect to the HLC asset sale transaction, which involved discussions with various parties to determine their potential interest in purchasing the LendingTree Loans business and which did not lead to any proposals more favorable to us and our stockholders than the proposal by Discover Bank;

- the economies of scale and synergies that Discover Bank expects to benefit from following the acquisition of the LendingTree Loans business allowed Discover Bank to offer us consideration that was greater than the value that our board of directors expected to receive from continuing to own the LendingTree Loans business;

- the opinion of Milestone Advisors, that, as of the date of the opinion and based upon and subject to the factors and assumptions set forth in such opinion, the $35,888,536 in cash to be paid to us at the closing of the HLC asset sale transaction, plus the net liquidation value of certain assets and liabilities of HLC Inc. and HLC Escrow, Inc. that are not being sold to Discover Bank, as estimated by our and HLC Inc.'s senior management team as of March 31,

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2011, was fair to us, from a financial point of view. See "ASSET PURCHASE AGREEMENT Opinion of Our Financial Advisor" below;

the HLC asset sale transaction will be subject to the approval of the holders of a majority of our outstanding shares of common stock, and the three stockholders of our company with the largest beneficial ownership agreed with Discover Bank to vote in favor of and support the HLC asset sale transaction. See "ASSET PURCHASE AGREEMENT Voting and Support Agreements" below;

our stockholders would continue to own stock in our company and participate in our future earnings and potential growth; and

the terms of the asset purchase agreement, including:

the $35,888,536 in cash to be paid by Discover Bank at the closing of the transaction, which provides certainty in value, and the potential for two additional $10.0 million cash payments payable on the first and second anniversary of such closing, subject to certain conditions as described under "ASSET PURCHASE AGREEMENT Purchase Price" below;

our ability, under certain circumstances, to furnish information to and participate in discussions with third parties regarding unsolicited acquisition proposals;

the ability of our board of directors, under certain circumstances, to change its recommendation that our stockholders vote to approve the asset purchase agreement and the HLC asset sale transaction;

the obligation of Discover Bank to pay us a termination fee of $5 million if the asset purchase agreement is terminated due to the failure of Discover Bank to obtain regulatory approvals or binding written proposals for purchase of mortgage loans funded by the LendingTree Loans business after the closing;

the obligations of Discover Bank to pay HLC Inc. up to $5 million to extend the end date for closing, which amounts are credited against either the purchase price or the termination fee described above; and

the view of our board of directors, after consulting with our legal counsel and financial advisors, that the termination fee of $2.2 million that we are required to pay to Discover Bank if the asset purchase agreement is terminated under certain circumstances was within the range reflected in similar transactions and not likely to preclude third parties from submitting acquisition proposals to acquire the assets we agreed to sell to Discover Bank under the asset purchase agreement. See "ASSET PURCHASE AGREEMENT Termination Fee" below for a discussion of when the termination fee may be payable to Discover Bank.

Our board of directors also considered and balanced against the potential benefits of the HLC asset sale transaction a number of potentially adverse and other factors concerning the HLC asset sale transaction, including the following:

the various conditions to Discover Bank's obligations to complete the proposed HLC asset sale transaction, including required action by third parties that neither we nor Discover Bank control; metrics and ratios related to the LendingTree Loans business that are not fully within our control; compliance with our warehouse line covenants, which compliance will be challenging, and limitations on the waivers or amendments we may receive under our warehouse lines without Discover Bank's consent, and, as a result, the possibility that the HLC asset sale transaction may not be completed on the agreed terms or at all, even if approved by our stockholders;

the length of time that Discover Bank has to satisfy its closing conditions, which may extend to 300 days after the execution of the asset purchase agreement (subject to the requirement for Discover Bank to pay HLC Inc. up to $5 million in the aggregate for such extensions);

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the risk that we will not receive one or both of the two additional $10.0 million cash payments payable on the first and second anniversary of the closing if the conditions to receipt of such payments are not satisfied, and that such conditions include certain financial and operational metrics associated with the LendingTree Exchanges business that are not fully within our control. See "ASSET PURCHASE AGREEMENT Purchase Price" below;

the restrictions on our ability to solicit or respond to Acquisition Proposals (defined below) as described under "ASSET PURCHASE AGREEMENT Solicitation of Other Offers" below;

the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding the sale of the LendingTree Loans business and the requirement that we pay Discover Bank a termination fee of $2.2 million if the asset purchase agreement is terminated under certain circumstances;

the restrictions on the conduct of the LendingTree loans business prior to the closing of the HLC asset sale transaction, requiring us to conduct the LendingTree Loans business only in the ordinary course, subject to specific limitations and exceptions, which may delay or prevent us from undertaking business opportunities that may arise pending the completion of the HLC asset sale transaction. See "ASSET PURCHASE AGREEMENT Conduct of Business" below;

the risk of disruption to the LendingTree Loans business and LendingTree Exchanges business as a result of the public announcement of the HLC asset sale transaction;

the risks and contingencies related to the announcement and pendency of the HLC asset sale transaction, including the impact of the transaction on our employees and relationships with our business partners;

the restrictions on our ability to compete in the business of originating, funding or selling of mortgages for three years from the date of closing of the HLC asset sale transaction; and

the other risks set forth above under "RISK FACTORS Risks Relating to the HLC Asset Sale Transaction."

After taking into account all of the material factors relating to the asset purchase agreement and the HLC asset sale transaction, including those factors set forth above, our board of directors unanimously concluded that the benefits of the asset purchase agreement and the HLC asset sale transaction outweigh the risks and that the asset purchase agreement and the HLC asset sale transaction are expedient, advisable and in the best interests of our company and our stockholders. Our board of directors did not assign relative weights to the material factors it considered. In addition, our board of directors did not reach any specific conclusion on each of the material factors considered, but conducted an overall analysis of all of the material factors. Individual members of our board of directors may have given different weights to different factors.

For the reasons set forth above, our board of directors has unanimously determined that the HLC asset sale transaction and the asset purchase agreement are expedient, advisable and in the best interests of our company and our stockholders, and unanimously recommends that stockholders vote "FOR" the HLC Asset Sale Proposal.

Opinion of Our Financial Advisor

Pursuant to an engagement letter dated April 28, 2011, we retained Milestone Advisors as our financial advisor in connection with the HLC asset sale transaction.

At the meeting of our board of directors on May 12, 2011, Milestone Advisors rendered its oral opinion to our board of directors, which was subsequently confirmed in the written opinion of Milestone Advisors dated May 12, 2011, to the effect that, as of May 12, 2011 and based on and subject to the assumptions, qualifications and limitations set forth in the written opinion, the Consideration (defined below) to be received by Tree.com in the HLC asset sale transaction is fair,

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from a financial point of view, to Tree.com. For purposes of the Milestone Advisors opinion, the term "Consideration" means the sum of (i) $35,888,536 plus (ii) the net liquidation value of the Excluded Assets (as defined in the asset purchase agreement) and the Excluded Liabilities (as defined in the asset purchase agreement) of HLC Inc. and HLC Escrow, Inc., collectively referred to as the sellers, as estimated by Tree.com's and HLC Inc.'s senior management team as of March 31, 2011, which is referred to in this section as the Net Liquidated Value Estimates. The Net Liquidated Value Estimates were included as part of the Consideration because a primary consideration for Tree.com entering into the HLC asset sale transaction was the ability to gain access to a portion of the capital and other assets of HLC Inc. that (a) are not being sold to Discover Bank and (b) were otherwise restricted or reserved to meet minimum capital requirements and other covenants under our warehouse lines of credit. Shortly after the completion of the HLC asset sale transaction, the amounts outstanding under such warehouse lines of credit will be repaid and the covenants imposed by such lines of credit will no longer apply. Due to the conditional nature of the two additional payments of $10 million due on each of the first and second anniversaries of the closing of the HLC asset sale transaction, Milestone Advisors did not include these additional payments as part of its analysis for determining the fairness of the Consideration to Tree.com. Milestone Advisors was not requested to opine as to, and Milestone Advisors' opinion does not in any manner address, the underlying business decision of the sellers, LendingTree, LLC and Tree.com, collectively referred to as the seller entities, to proceed with or effect the HLC asset sale transaction or the relative merits of the HLC asset sale transaction as compared to any strategic alternatives that may be available to Tree.com and the other seller entities.

The full text of the written opinion of Milestone Advisors dated May 12, 2011, which sets forth, among other things, the assumptions made, procedures followed, factors and matters considered and limitations on the review undertaken, is attached as *Appendix B* hereto and is incorporated herein by reference. The following summary is qualified in its entirety by reference to the full text of the opinion, and you should read the opinion carefully and in its entirety. Milestone Advisors' written opinion was addressed to our board of directors in connection with its consideration of the HLC asset sale transaction and does not constitute a recommendation to any of our stockholders as to how such stockholder should vote at the special meeting. Milestone Advisors' written opinion is subject to the assumptions and conditions contained therein and is necessarily based on economic, market and other conditions and the information made available to Milestone Advisors as of the date of its opinion, and Milestone Advisors assumes no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the opinion.

In arriving at its opinion, Milestone Advisors:

- reviewed the indication of interest dated March 21, 2011 by and between DFS and Tree.com;
- reviewed a draft of the asset purchase agreement dated May 12, 2011, by and among the parties, which is referred to in this section as the Draft Agreement;
- reviewed Tree.com's (i) annual reports to stockholders and annual reports on Form 10-K for the years ended December 31, 2008, December 31, 2009, and December 31, 2010 filed with the SEC, (ii) quarterly reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 filed with the SEC and (iii) current reports on Form 8-K filed with the SEC since December 31, 2010;
- reviewed certain operating and financial information relating to the sellers' businesses and prospects, including (i) certain unaudited monthly financial information for January through March 2011, (ii) certain wind-down scenarios involving the liquidation of the Excluded Assets and Liabilities of the sellers based on the sellers' March 31, 2011 balance sheet assuming a consummation of the HLC asset sale transaction, (iii) a hypothetical wind-down scenario based on the sellers' March 31, 2011 balance sheet assuming the HLC asset transaction is not consummated, and (iv) certain monthly and quarterly projections scenarios for the quarter ended

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March 31, 2011 and the years ending December 31, 2011 and 2012, and annual projections for the years 2013, 2014 and 2015, which annual projections, for analytical purposes, assume a stabilization of the sellers' business in the periods beyond 2012 at levels of loan origination and profit margins consistent with those in 2012, all as prepared and provided to Milestone Advisors by Tree.com's and HLC Inc.'s management teams, which are referred to as the Projections and which are discussed under "Projections" below;

interviewed certain members of the sellers' and Tree.com's senior management team to discuss the sellers' and Tree.com's business, operations, historical and projected financial results, financial condition, current and prospective access to capital, current and prospective liquidity, the strategic rationale for, and the potential benefits of, the HLC asset sale transaction and future prospects of the sellers and Tree.com, including such members' views of the operational and financial risks and uncertainties attendant with not pursuing the HLC asset sale transaction or another similar transaction;

reviewed and/or performed various valuation and financial analyses based on the Projections including illustrative discounted future terminal value analyses and a hypothetical liquidation analysis (based on guidance provided by certain members of Tree.com's and the sellers' senior management);

reviewed publicly available financial data, stock market performance data and trading multiples of companies which Milestone Advisors deemed generally comparable to Tree.com;

reviewed the terms of recent asset purchases, mergers and other acquisition transactions, which Milestone Advisors deemed generally comparable to the HLC asset sale transaction; and

conducted such other studies, analyses, inquiries and investigations as Milestone Advisors deemed appropriate.

In rendering its opinion, Milestone Advisors relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to or discussed with Milestone Advisors by the seller entities or obtained by Milestone Advisors from public sources, including, without limitation, the Projections and the Net Liquidation Value Estimates. With respect to the Projections and the Net Liquidation Value Estimates, Milestone Advisors relied on representations that they have been reasonably prepared in good faith and reflect the best currently available estimates and judgments of the senior management of the seller entities as to the expected future financial performance and condition of the sellers. Milestone Advisors noted that such financial projections are subject to significant uncertainty, particularly in light of recent and on-going conditions in the mortgage sector and the sellers' recent financial performance, current financial condition, current and prospective access to capital, current and prospective liquidity and unclear future prospects. Milestone Advisors has not assumed any responsibility for the independent verification of any such information, including, without limitation, the Projections and the Net Liquidation Value Estimates, and Milestone Advisors has further relied upon the assurances of the senior management of the seller entities that they are unaware of any facts that would make the information, Projections and the Net Liquidation Value Estimates incomplete, inaccurate or misleading in any material respect. Further, Milestone Advisors expresses no opinion with respect to such Projections and the Net Liquidation Value Estimates, their achievability, or the assumptions on which they are based and the resulting impact on the sellers' financial performance, financial condition, liquidity and resulting stockholder value. Milestone Advisors has not considered any aspect or implication of any transaction to which any of the seller entities is or may be a party (other than as specifically described herein with respect to the HLC asset sale transaction).

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Milestone Advisors relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the asset purchase agreement and all other related documents and instruments that are referred to therein are true and correct in all respects material to Milestone Advisors' analysis, (b) each party to the asset purchase agreement will fully and timely perform all of the covenants and agreements, in all respects material to Milestone Advisors' analysis, required to be performed by such party, (c) all conditions to the consummation of the HLC asset sale transaction will be satisfied in all respects material to Milestone Advisors' analysis without waiver thereof, and (d) the HLC asset sale transaction will be consummated in a timely manner in accordance with the terms described in the asset purchase agreement and documents provided to Milestone Advisors, without any amendments or modifications thereto or any adjustment to the aggregate consideration (through offset, reduction, indemnity claims, post-closing purchase price adjustments or otherwise) or any other financial term of the HLC asset sale transaction, in any respect material to Milestone Advisors' opinion. Milestone Advisors also relied upon and assumed, without independent verification, that (i) the HLC asset sale transaction will be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations, and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the HLC asset sale transaction will be obtained and that no delay, limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would result in the disposition of any material portion of the assets of the seller entities, or otherwise have an adverse effect on the seller entities or any expected benefits of the HLC asset sale transaction. In addition, Milestone Advisors relied upon and assumed, without independent verification, that the final form of the asset purchase agreement did not differ in any material respect from the Draft Agreement.

Furthermore, in connection with the opinion, Milestone Advisors was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of the sellers or any other seller entity, nor was Milestone Advisors provided with any such appraisal or evaluation. Milestone Advisors expresses no opinion regarding the liquidation value of any entity. Milestone Advisors has undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which the seller entities are or may be a party or are or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which the seller entities are or may be a party or are or may be subject; the opinion makes no assumption concerning, and therefore does not consider, the potential effects of any such litigation, claims or investigations or possible assertion of claims, outcomes or damages arising out of any such matters.

Under the terms of its engagement, Milestone Advisors was not requested to, and did not, (a) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the HLC asset sale transaction, the assets, businesses or operations of the sellers, or any of the other seller entities, or any alternatives to the HLC asset sale transaction, (b) negotiate the terms of the HLC asset sale transaction, or (c) advise the board of directors of Tree.com or any other party with respect to business combination alternatives to the HLC asset sale transaction. The opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Milestone Advisors as of May 12, 2011. Milestone Advisors has not undertaken, and is under no obligation, to update, revise, reaffirm or withdraw the opinion, or otherwise comment on or consider events occurring after May 12, 2011. Subsequent events that could materially affect the conclusions set forth in the opinion include, without limitation, adverse changes in industry performance or market conditions; changes to the business, financial condition and results of operations of the seller entities; changes in the terms of the HLC asset sale transaction; and the failure to consummate the HLC asset sale transaction within a reasonable period of time.

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Situational Factors

In evaluating the sellers' projected financial results, financial condition, current and prospective access to capital, current and prospective liquidity and future prospects, Milestone Advisors understands, based on Milestone Advisors' review of market conditions and publicly available information, and Milestone Advisors' discussions with Tree.com's and the sellers' senior management, that:

Mortgage Bankers Association forecasts mortgage loan originations to fall from $1.5 trillion in 2010 to $1.0 trillion in 2011, driven by a sharp decrease in refinance mortgage volume.

HLC Inc. receives the vast majority of its customer mortgage leads through an exclusive arrangement with Tree.com. Tree.com's mortgage leads accounted for 79% of HLC Inc.'s total mortgage loans funded in 2010. As a result, disruption to this lead arrangement would have a detrimental impact to HLC Inc.'s operations and financial condition.

Over the last four months, HLC Inc. has incurred significant operating losses and is projected to continue to incur operating losses for the balance of 2011, according to HLC Inc.'s management.

HLC Inc.'s current operating model focuses almost exclusively on the refinance mortgage market. In 2010 and through the three months ended March 31, 2011, HLC Inc.'s refinance mortgage originations accounted for 92% and 89% of its funded dollar volume, respectively. As a result, in a rising interest rate environment HLC Inc.'s business model remains challenged.

The continued turmoil in the U.S. economy and the housing market has put significant pressure on home values and as a result has limited the industry's and HLC Inc.'s universe of qualified mortgage borrowers. According to *LPS Mortgage Monitor*, at March 31, 2011, over 12% of all mortgage loans were either in default or in foreclosure.

HLC Inc. operates in a highly regulated industry and is subject to a variety of statutes, rules, regulations, policies and procedures in various jurisdictions, including:

- restrictions on the amount and nature of fees or interest that may be charged in connection with a loan, in particular, state usury and fee restrictions;
- loan officer licensing requirements and increased capital requirements which have increased the cost to be in business as an independent mortgage lender;
- restrictions on the manner in which consumer loans are marketed and originated, including the making of required consumer disclosures, such as the federal Truth-in-Lending Act, the federal Equal Credit Opportunity Act, the federal Fair Credit Reporting Act, the federal Fair Housing Act, the federal Real Estate Settlement Procedures Act, and similar state laws; and
- state and federal restrictions on the marketing activities conducted by telephone, the mail, by email, or over the internet, including the Telemarketing Sales Rule, state telemarketing laws, federal and state privacy laws, the CAN-SPAM Act, and the Federal Trade Commission Act and its accompanying regulations and guidelines.

HLC Inc. relies on warehouse lines of credit to finance loan originations. Under the terms of the outstanding warehouse lines of credit, HLC Inc. is required to maintain various financial and other covenants, which include, but are not limited to, maintaining (i) minimum tangible net worth of $25.0 million, (ii) minimum liquidity, (iii) a minimum current ratio, (iv) a maximum ratio of liabilities to net worth, (v) a maximum leverage ratio, (vi) pre-tax net income requirements, and (vii) a

warehouse maximum capacity ratio. In the event HLC Inc. continues to incur operating losses, it may be declared to be in default of the terms of its lines of credit.

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In connection with the sale of loans to secondary market purchasers, HLC Inc. makes certain representations regarding related borrower credit information, loan documentation and collateral. To the extent that these representations are incorrect, HLC Inc. may be required to repurchase loans or indemnify secondary market purchasers for losses due to borrower defaults. In connection with the sale of loans to secondary market purchasers, HLC Inc. also agrees to repurchase loans or indemnify secondary market purchasers for losses due to early payment defaults by borrowers.

Milestone Advisors Valuation Analysis

The following is a summary of the principal framework and valuation analyses performed by Milestone Advisors and presented to the board of directors of Tree.com in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the financial valuation analyses performed by Milestone Advisors, and the order of the analyses described does not represent the relative importance or weight given to the analyses performed by Milestone Advisors.

Milestone Advisors' financial valuation methodology involved:

Selected Precedent Merger and Acquisition Transaction Analysis

Milestone Advisors reviewed and analyzed selected precedent merger and acquisition transactions since 2001 involving companies whose lines of business include the origination, servicing, and/or investment in mortgage loans. Milestone Advisors noted that a majority of the transactions were announced in market conditions that were materially different from the currently prevailing mortgage environment and therefore deemed these precedent transactions to be less relevant. In addition, Milestone Advisors noted that the target companies listed below have different business models than the sellers and therefore are less relevant in determining the value of the sellers.

			Deal Value to:	
	Announced	Deal Value ($M)	Book Value	Tangible Book Value
Target/Acquiror				
Opteum Financial Services, LLC/ Bimini Mortgage Inc	9/29/2005	$ 81.2	101.5%	NA
AmNet Mortgage, Inc/ Wachovia Corporation	9/13/2005	$ 80.8	111.6%	111.6%
United Financial Mortgage Corp/ WDM Fund L.P.	9/6/2005	$ 35.8	110.8%	114.9%
ELOAN, Inc/ Popular, Inc	8/3/2005	$ 298.6	312.5%	312.5%
Columbia National Inc./ American Home Mortgage Inv. Corp.	6/13/2002	$ 37.0	112.8%	NA
Market Street Mortgage/ NetBank, Inc	4/15/2001	$ 21.1	127.2%	151.3%

Milestone Advisors applied multiple ranges based on the selected transactions to corresponding financial data for the sellers. The selected transaction analysis indicated an implied reference range value for the sellers of $41.5 million to $96.9 million, as compared to the Consideration of $59.6 million. Based on publicly available information, "Deal Value" in the table above represents either the consideration paid by the acquirer for the common stock of the target in the case of a merger stock acquisition transaction or the consideration paid for substantially all assets net of assumed liabilities in the case of a purchase and assumption of assets and liabilities. Since the HLC asset sale

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transaction consists of only select assets and liabilities, Net Liquidated Value Estimates are included in Consideration in order to more fully represent the complete economics of the HLC asset sale transaction and to better compare the proceeds recognized by Tree.com to the proceeds included in "Deal Value" for the comparable transactions.

Discounted Cash Flow Analysis

Milestone Advisors, with the sellers' assistance and reliance on assumptions and projections provided by the sellers, performed a discounted cash flow analysis wherein excess cash is distributed from the sellers to Tree.com. For Milestone Advisors' purposes, excess cash is defined as excess equity capital on the sellers' balance sheet that is available for distribution. Cash available for distribution is then adjusted to maintain the required equity and liquidity in HLC Inc. based on its warehouse covenants. With a return to profitability in 2012, the sellers would be in a position to make distributions to normalize their capital structure. An exit is assumed to occur at the end of year 5 with the exit value based on a multiple of tangible book value. Milestone Advisors used a range of multiples of tangible book value from 100% to 200% based on historical publicly available transaction multiples. The excess cash available for distribution and the exit value were then discounted to present value using a range of discount rates between 15% and 25% based on, among other things, the sellers' weighted average cost of capital. Based on the foregoing analysis, the value of the sellers ranges between $24.0 million and $48.2 million, as compared to the Consideration of $59.6 million.

	Price-to-Tangible Equity Exit Multiple				
Discount Rate	**100%**	**125%**	**150%**	**175%**	**200%**
15.00%	32,785	36,647	40,508	44,369	48,231
17.50%	30,217	33,704	37,190	40,676	44,163
20.00%	27,917	31,071	34,226	37,381	40,535
22.50%	25,850	28,711	31,571	34,431	37,292
25.00%	23,989	26,588	29,186	31,785	34,384

Hypothetical Liquidation Analysis

Milestone Advisors, with the sellers' guidance and assumptions, analyzed what value might be recognized by the stockholders of Tree.com in an orderly liquidation of the sellers. In arriving at a hypothetical liquidation value, the sellers provided guidance on the net sale value of assets on the balance sheet on March 31, 2011. Based on assumptions provided by the sellers, the value to Tree.com in a hypothetical scenario ranged from ($4.5) million to $28.4 million, as compared to the Consideration of $59.6 million.

Comparable Public Company Trading Multiples

Milestone Advisors examined various valuation metrics, including price-to-book multiples and price-to-tangible book multiples for selected public companies that operate residential mortgage lending platforms. Given the composition of the sellers' balance sheets, Milestone Advisors considered the sellers' book value, tangible book value and adjusted tangible book value (a metric used by HLC Inc.'s senior lenders, which includes adjustments for the deferred tax asset and income tax receivable from Tree.com) as of March 31, 2011. However, due to the dissimilarity between the sellers' business model and such publicly traded competitors, valuation comparisons to any one of these peers could at best be considered indicative and may or may not be relevant. Given the foregoing, Milestone Advisors did not rely on this methodology in determining whether the Consideration to be received by Tree.com in the HLC asset sale transaction is fair, from a financial point of view, to Tree.com.

The selected companies were:

Impac Mortgage Holdings, Inc.

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PHH Corporation

Flagstar Bancorp, Inc.

The selected companies analysis indicated the following:

	Mean	Median
Equity Value as a Multiple of:		
Book Value	78.1%	78.1%
Tangible Book Value	79.5%	79.5%

Milestone Advisors applied multiple ranges based on the selected companies analysis to corresponding financial data for the sellers. The selected companies analysis indicated an implied reference range value of $24.8 million to $49.4 million, as compared to the Consideration of $59.6 million.

Other Matters

Pursuant to an engagement letter dated April 28, 2011, the board of directors of Tree.com retained Milestone Advisors to provide its opinion to such board of directors as to whether, as of May 12, 2011, the consideration to be received by Tree.com in the HLC asset sale transaction is fair, from a financial point of view to Tree.com. In selecting Milestone Advisors, the Tree.com board of directors considered, among other things, the fact that Milestone Advisors is a well-regarded investment banking firm with extensive experience advising companies in the financial services and mortgage sectors. Milestone Advisors, as part of its investment banking practice, is regularly engaged in the valuation of securities and the evaluation of transactions in connection with mergers and acquisitions of, mortgage banking companies, commercial banks, savings institutions, and other specialty finance companies, as well as business valuations for other corporate purposes for financial services organizations. Pursuant to the engagement letter, Milestone Advisors acted as a financial advisor to Tree.com solely in connection with rendering its opinion and earned a fee of $225,000 for such services, which was payable regardless of the opinion reached therein, and no portion of such fee is contingent upon successful completion of the HLC asset sale transaction. Tree.com paid Milestone Advisors a cash retainer fee of $25,000 upon engaging Milestone Advisors, which amount was credited against the fee paid to Milestone Advisors in connection with rendering its opinion. Tree.com also agreed to reimburse Milestone Advisors for certain expenses and indemnify Milestone Advisors for certain liabilities that may arise out of the rendering of its opinion. Milestone Advisors has previously been engaged by Tree.com to provide investment banking services on matters unrelated to the HLC asset sale transaction, for which Milestone Advisors received customary fees.

In the ordinary course of business, certain of Milestone Advisors' affiliates, as well as investment funds in which they may have financial interests, may acquire, hold or sell, long or short positions, or trade or otherwise effect transactions, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, Tree.com or any other party that may be involved in the HLC asset sale transaction and their respective affiliates or any currency or commodity that may be involved in the HLC asset sale transaction.

Projections

We do not, as a matter of course, publicly disclose projections regarding anticipated future financial performance due to the unpredictability of the underlying assumptions and estimates. However, we provided Milestone Advisors with the following operating and financial information relating to the businesses and prospects of HLC Inc. and HLC Escrow, Inc.: (i) certain unaudited monthly financial information for January through March 2011, (ii) certain wind-down scenarios involving the liquidation of the assets and liabilities of HLC Inc. and HLC Escrow, Inc. not being sold to Discover Bank in the HLC asset sale transaction based on the March 31, 2011 balance sheet of

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HLC Inc. and HLC Escrow, Inc. assuming a consummation of the HLC asset sale transaction, (iii) a hypothetical wind-down scenario based on the March 31, 2011 balance sheet of HLC Inc. and HLC Escrow, Inc. assuming the HLC asset sale transaction is not consummated, and (iv) certain monthly and quarterly projections scenarios for the quarter ended March 31, 2011 and the years ending December 31, 2011 and 2012, and annual projections for the years 2013, 2014 and 2015, which annual projections, for analytical purposes, assume a stabilization of the LendingTree Loans business in the periods beyond 2012 at levels of loan origination and profit margins consistent with those in 2012. We refer to foregoing as the Projections. The Projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions, as well as matters specific to our business, many of which are beyond our control. The Projections cover multiple years, and projections by their nature become less reliable for later periods.

($000s)	Immediate	2Q 2011	4Q