

LendingTree, Inc.  
Form 10-K  
March 01, 2016  
Table of Contents

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

---

FORM 10-K

---

(Mark One)

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

For the Fiscal Year Ended December 31, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-34063

---

LendingTree, Inc.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
11115 Rushmore Drive, Charlotte, North Carolina 28277  
(Address of principal executive offices)  
(704) 541-5351  
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
Common Stock, \$0.01 Par Value

Name of each exchange on which registered  
The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:

None

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Edgar Filing: LendingTree, Inc. - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of June 30, 2015 was \$529,203,778. For the purposes of the foregoing calculation only, all directors and executive officers of the Registrant and third parties that own 5% or more of the voting common stock are assumed to be affiliates of the Registrant.

As of February 19, 2016, there were 11,876,144 shares of the Registrant's common stock, par value \$.01 per share, outstanding.

Documents Incorporated By Reference:

Portions of the Registrant's proxy statement for its 2016 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

Table of Contents

## TABLE OF CONTENTS

|  | Page      |
|--|-----------|
| <u>PART I</u>  |           |
| <u>Item 1.</u> <u>Business</u>   | <u>3</u>  |
| <u>Item 1A.</u> <u>Risk Factors</u>  | <u>9</u>  |
| <u>Item 1B.</u> <u>Unresolved Staff Comments</u>   | <u>20</u> |
| <u>Item 2.</u> <u>Properties</u>   | <u>20</u> |
| <u>Item 3.</u> <u>Legal Proceedings</u>  | <u>20</u> |
| <u>Item 4.</u> <u>Mine Safety Disclosures</u>  | <u>20</u> |
| <u>PART II</u>   |           |
| <u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>21</u> |
| <u>Item 6.</u> <u>Selected Financial Data</u>  | <u>24</u> |
| <u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                        | <u>25</u> |
| <u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>  | <u>35</u> |
| <u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>  | <u>36</u> |
| <u>Item 9.</u> <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>                         | <u>67</u> |
| <u>Item 9A.</u> <u>Controls and Procedures</u>   | <u>67</u> |
| <u>Item 9B.</u> <u>Other Information</u>   | <u>67</u> |
| <u>PART III</u>  |           |
| <u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>  | <u>68</u> |
| <u>Item 11.</u> <u>Executive Compensation</u>  | <u>68</u> |
| <u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | <u>68</u> |
| <u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | <u>68</u> |
| <u>Item 14.</u> <u>Principal Accounting Fees and Services</u>  | <u>68</u> |
| <u>PART IV</u>   |           |
| <u>Item 15.</u> <u>Exhibits, Financial Statement Schedules</u>   | <u>69</u> |

---

Table of Contents

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This annual report on Form 10-K for the fiscal year ended December 31, 2015 (the "Annual Report") contains "forward-looking statements" within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements related to our anticipated financial performance, business prospects and strategy; anticipated trends and prospects in the various industries in which our businesses operate; new products, services and related strategies; and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as "anticipates," "estimates," "expects," "projects," "intends," "plans" and "believes," among others, generally identify forward-looking statements.

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

Other unknown or unpredictable factors that could also adversely affect our business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of LendingTree, Inc.'s management as of the date of this report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results or expectations, except as required by law.

**PART I**

**ITEM 1. Business**

**Our Company**

LendingTree, Inc. ("LendingTree", the "Company", "we" or "us") operates what we believe to be the leading online loan marketplace for consumers seeking loans and other credit-based offerings. Our online marketplace provides consumers with access to product offerings from over 400 active lenders (which we refer to as "Network Lenders"), including mortgage loans, home equity, reverse mortgage, auto loans, credit cards, personal loans, student loans and small business loans and other related offerings. In addition, we offer tools and resources, including free credit scores, that facilitate comparison shopping for these loans and other credit-based offerings. We seek to match consumers with multiple lenders, who can provide them with competing quotes for the product they are seeking. By providing consumers access to a broad array of credit-based offerings directly from multiple lenders, rather than just multiple quotes from the same lender or indirectly through intermediaries, we believe our marketplace is differentiated from other providers operating loan comparison-shopping marketplaces.

Our strategically designed and executed advertising and marketing campaigns (which we refer to as performance marketing) promote our LendingTree brand and product offerings and are designed to attract consumers to our websites and toll-free telephone numbers. Interested consumers complete inquiry forms, providing detailed information about themselves and the loans or other offerings they are seeking. We refer to such consumer inquiries as loan requests. We then match these loan requests with lenders in our marketplace that are seeking to serve these consumers' needs. We generate revenue from these lenders, generally at the time of transmitting a loan request to them, in the form of a match fee. In certain instances outside our mortgage business, we charge other kinds of fees, such as closed loan or closed sale fees. In addition to our primary loan request business, LendingTree also has click and call products for which lenders pay either front-end or back-end fees.

We are continually working to improve the consumer experience. We have made investments in technologically-adept personnel and we use in-market real-time testing to improve our digital platforms. Additionally, we work with our lenders, including providing training and other resources, to improve the consumer experience throughout the loan process. Further, we have been building and improving our My LendingTree platform, which provides a relationship-based consumer experience, rather than just a transaction-based experience.

**Corporate History**

Edgar Filing: LendingTree, Inc. - Form 10-K

LendingTree, Inc., is the parent of LendingTree, LLC and several companies owned by LendingTree, LLC. LendingTree, LLC, formerly known as LendingTree, Inc., was incorporated in the state of Delaware in June 1996 and commenced nationwide operations in July 1998. LendingTree, Inc., was acquired by IAC/InterActiveCorp ("IAC") in 2003 and converted to a Delaware limited liability company (LendingTree, LLC) in December 2004. LendingTree, LLC entered the mortgage origination business through the acquisition of Home Loan Center, Inc. in 2004. On August 20, 2008, LendingTree, LLC (along with its parent holding

---

Table of Contents

company Tree.com, Inc.) was spun off from IAC/InterActiveCorp into a separate publicly-traded company. We refer to the separation transaction as the "spin-off" in this report. Tree.com was incorporated as a Delaware corporation in April 2008 in anticipation of the spin-off. The Home Loan Center business was sold to Discover Financial Services in 2012. Since then, the Company has operated as a pure online marketplace and does not originate loans. Effective January 1, 2015, we changed our corporate name from Tree.com, Inc. to LendingTree, Inc.

**Evolution and Future Growth of Our Business**

At its inception, our original business was to serve consumers seeking home mortgage loans by matching them with various lenders. We launched the LendingTree brand nationally in 1998 and, over the last eighteen years, we invested significantly in this brand to gain widespread consumer recognition.

More recently, we have actively sought to expand the suite of loan and credit-based offerings we provide to consumers, in order to both leverage the applicability of the LendingTree brand as well as more fully serve the needs of consumers and lenders. We believe that consumers with existing LendingTree-branded associations will be more likely to utilize our other service offerings than those of other providers whose brands consumers may not recognize. In June 2014, we re-launched My LendingTree, a platform that offers a personalized loan comparison-shopping experience, by providing free credit scores and credit score analysis. This new platform enables us to observe consumers' credit profiles and then identify and alert them to loan and other credit-based offerings on our marketplace that may be more favorable than the loans they have at a given point in time. This is designed to provide consumers with measurable savings opportunities over their lifetimes.

By expanding our portfolio of loan and credit-based offerings, we are growing and diversifying our business and sources of revenue. We intend to capitalize on our expertise in performance marketing, product development and technology, and to leverage the widespread recognition of the LendingTree brand to effect this strategy.

**Products**

We currently report our revenues in two product categories: (i) mortgage products and (ii) non-mortgage products. Non-mortgage products include auto loans, credit cards, home equity loans, personal loans, reverse mortgages, small business loans and student loans. Non-mortgage products also include home improvement referrals, and other tools and resources, including credit repair and debt relief services.

Mortgage and non-mortgage product revenue is as follows (in thousands):

|                       | For the Year Ended December 31, |           |           |
|-----------------------|---------------------------------|-----------|-----------|
|                       | 2015                            | 2014      | 2013      |
| Mortgage products     | \$165,272                       | \$134,137 | 123,091   |
| Non-mortgage products | 88,944                          | 33,213    | 16,149    |
| Total revenue         | \$254,216                       | \$167,350 | \$139,240 |

LendingTree does not charge consumers or small businesses for the use of our services. Revenues from our mortgage products are mostly derived from upfront match fees paid by Network Lenders that receive a loan request, and in some cases upfront fees for clicks or call transfers. Because a given loan request form can be matched with more than one Network Lender, up to five match fees may be generated from a single consumer loan request form. Revenues from our non-mortgage products are derived from upfront match fees paid on delivery of a loan request, click or call and for some marketplaces outside mortgage, other kinds of fees, such as closed loan fees. For our credit card product, we send click traffic to issuers and are paid per card approval. For the years ended December 31, 2015, 2014 and 2013, one Network Lender accounted for 12%, 13% and 12% of total revenue, respectively, and another Network Lender accounted for 11%, 11% and 12% of total revenue, respectively.

**Mortgage Products**

Our mortgage products category includes our purchase and refinance products.

We partner with lenders throughout the United States to provide full geographic lending coverage and to offer a complete suite of loan offerings on our marketplace. To participate on our marketplace, lenders are required to enter into contracts with us that state the terms and conditions for such participation, although these contracts generally may be terminated for convenience by either party. We perform certain due diligence procedures on prospective new lenders, including screening against a national anti-fraud database maintained by the Mortgage Asset Research

Institute, which helps manage our risk exposure. The data is utilized to determine whether a lender and its principals are eligible to participate on our marketplace and have not been convicted of and/or penalized for fraudulent activity.

## Table of Contents

Consumers seeking mortgage loans through our loan marketplace can receive multiple conditional loan offers from participating lenders in response to a single loan request form. We refer to the process by which we match consumers and Network Lenders as the matching process. This matching process consists of the following steps:

Loan Request. Consumers complete a single loan request form with information regarding the type of home loan (1) product they are seeking, loan preferences and other data. Consumers also consent to a soft inquiry regarding their credit.

Loan Request Form Matching and Transmission. Our proprietary systems and technology match a given (2) consumer's loan request form data, credit profile and geographic location against certain pre-established criteria of Network Lenders, which may be modified from time to time. Once a given loan request passes through the matching process, the loan request is automatically transmitted to up to five participating Network Lenders.

Lender Evaluation and Response. Network Lenders that receive a loan request form evaluate the information (3) contained in it to determine whether to make a conditional loan offer.

Communication of a Conditional Offer. All matched Network Lenders and any conditional offers are presented to (4) the consumer upon completion of the loan request form. Consumers can return to the site and view their offer(s) at any time by logging in to their My LendingTree account. Additionally, matched lenders and offers are also sent to the email address associated with the consumer request.

Loan Processing. Consumers may then elect to work offline with relevant Network Lenders to provide property (5) information and additional information bearing on their creditworthiness. If a Network Lender approves a consumer's application, it may then underwrite and originate a loan.

Ongoing Consumer and Lender Support. E-mail and telephone support are provided to both Network Lenders and (6) consumers. This support is designed to provide technical assistance and increase overall satisfaction of Network Lenders and consumers.

We also offer consumers an alternative "short-form" matching process, which provides them with lender contact information rather than conditional offers from Network Lenders. This short-form process typically requires consumers to submit less data than required in connection with the matching process described above and does not involve consumer consent to an inquiry regarding credit.

In January 2013, we expanded our mortgage offerings by launching LoanExplorer, a "rate table" loan marketplace, where consumers can enter their loan and credit profile and dynamically view real-time rates from lenders without entering their contact information. Consumers then have the option of calling lenders directly, clicking through to lenders' websites or sending data requests for lenders to follow up with them directly. We developed this offering through internal product development efforts.

### Non-Mortgage Products

Lending Products. Other lending products on our online marketplace include information, tools and access to multiple conditional loan offers for the following:

- Auto, which includes our auto refinance and purchase loan products. Auto loans enable consumers to purchase new or used vehicles or refinance an existing loan secured by an automobile.

- Credit cards, which include offerings from most major card issuers. We launched this offering in the second quarter of 2013.

- Home equity loans and lines of credit, which enable home owners to borrow against the equity in their home, as measured by the difference between the market value of the home and any existing loans secured by the home. Home equity loans are one-time lump sum loans, whereas a home equity line of credit reflects a line of revolving credit where the borrower has flexibility to draw down and repay the line over time.

- Personal loans, which are unsecured obligations generally carrying shorter terms and smaller loan amounts than home mortgages. We have historically operated a personal loan offering, but launched an enhanced version of this offering in the third quarter of 2013.

- Reverse mortgage loans, which are a loan product available to qualifying homeowners age 62 or older. We launched this offering in the first quarter of 2013 through internal product development efforts.

-



Small business loans, which include a broad array of financing types, including but not limited to loans secured by working capital, equipment, real estate and other forms of financing, provided to small and medium-sized businesses in amounts generally up to (although sometimes exceeding) \$1 million. We launched our small business loan marketplace in the third quarter of 2014.

## Table of Contents

Student loans, which includes both new loans to finance an education and related expenses, as well as refinancing of existing loans. We launched our new student loan offering in the second quarter of 2014 and our student loan refinancing offering commenced in the fourth quarter of 2014.

We intend to continue adding new lending offerings for consumers, small businesses and lenders on our online marketplace, in order to grow and diversify our sources of revenue. We may develop such new offerings through internal product development efforts, strategic business relationships with third parties and/or acquisitions.

Other Products. Other products also includes information, tools and access to the following:

• Credit repair, through which consumers can obtain assistance improving their credit profiles, in order to expand and improve loan and other financial product opportunities available to them.

• Debt relief services, through which consumers can obtain assistance negotiating existing loans.

• Home improvement services, through which consumers have the opportunity to research and find home improvement professional services.

• Personal credit data, through which consumers can gain insights into how prospective lenders and other third parties view their credit profiles.

• Real estate brokerage services, through which consumers are matched with local realtors who can assist them in their home purchase or sale efforts.

• Various consumer insurance products, including home and automobile, through which consumers are matched with insurance lead aggregators to obtain insurance offers.

We refer to the various purchasers of leads from our other marketplaces as lead purchasers. We generate revenue through the insurance products and real estate brokerage services through match fees paid to us by insurance lead aggregators and real estate brokers participating in our online marketplace. We generate revenue from credit repair and debt relief services either through a fee for a customer referral to a service provider partner or through a fee at the time a consumer enrolls in a program with one of our partners. Revenue for home services is derived primarily through matching of leads to both local contractors and other home services lead aggregators.

### Seasonality

Revenue in our lending business is subject to cyclical and seasonal trends. Home sales (and purchase mortgages) typically rise during the spring and summer months and decline during the fall and winter months, while refinancing and home equity activity is principally driven by mortgage interest rates as well as real estate values. However, in recent periods additional factors affecting the mortgage and real estate markets, such as the 2008-2009 financial crisis and ensuing recession have impacted customary seasonal trends.

We anticipate revenue in our newer products to be cyclical as well; however, we have limited historical data to predict the nature and magnitude of this cyclical. Based on industry data, we anticipate that as our personal loan product matures we will experience less consumer demand during the fourth and first quarters of each year. Other factors affecting our businesses include macro factors such as credit availability in the market, the strength of the economy and employment.

### Competition

Our lending and other businesses compete with other online marketing companies, including online intermediaries that operate network-type arrangements. We also face competition from lenders that source consumer loan originations directly. These companies typically operate consumer-branded websites and attract consumers via online banner ads, keyword placement on search engines, direct mail, television ads, retail branches, realtors, brokers, radio and other sources, partnerships with affiliates and business development arrangements with others, including major online portals.

### Product Development

We invest in the continued development of both new and existing products to enhance the experiences of consumers and lenders as they interact with us. We incurred product development costs of \$16.8 million, \$11.1 million and \$7.7 million during the years ended December 31, 2015, 2014 and 2013, respectively, all of which was company sponsored.



## Table of Contents

### Financial Information About Segments and Geographic Areas

During the first quarter of 2015, management made certain changes to its organizational structure that impacted its previous operating segments. As a result, management concluded it had one reportable segment representing our Lending activities. Previously reported segment results have been revised to conform to our reportable segments at December 31, 2015. See Note 17—Segment Information to the consolidated financial statements included elsewhere in this report.

Additional information on our financial performance by geographic areas can be found in Note 2—Significant Accounting Policies to the consolidated financial statements included elsewhere in this report.

### Regulation and Legal Compliance

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, we are subject to a variety of statutes, rules, regulations, policies and procedures in various jurisdictions in the United States, including:

- Restrictions on the amount and nature of fees or interest that may be charged in connection with a loan, such as state usury and fee restrictions;

- Restrictions on the manner in which consumer loans are marketed and originated, including, but not limited to, the making of required consumer disclosures, such as the Federal Trade Commission's Mortgage Advertising Practices ("MAP") Rules, 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 ("RESPA"), and similar state laws;

- Restrictions imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act") and current or future rules promulgated thereunder, including, but not limited to, limitations on fees charged by mortgage lenders, mortgage broker disclosures and rules promulgated by the Consumer Financial Protection Bureau ("CFPB"), which was created under the Dodd-Frank Act;

- Restrictions on the amount and nature of fees that may be charged to lenders and real estate professionals for providing or obtaining consumer loan requests, such as under RESPA;

- Restrictions on the amount and nature of fees that may be charged to consumers for real estate brokerage transactions, including any incentives and rebates that may be offered to consumers by our businesses;

- Federal and State laws relating to the implementation of the Secure and Fair Enforcement of Mortgage Licensing Act of 2008 (the "SAFE Act") that require us to be licensed in all States and the District of Columbia (licensing requirements are applicable to both individuals and/or businesses engaged in the solicitation of or the brokering of residential mortgage loans and/or the brokering of real estate transactions);

- State and federal restrictions on the marketing activities conducted by telephone, mail, email, mobile device or the internet, including the Telemarketing Sales Rule ("TSR"), the Telephone Consumer Protection Act ("TCPA"), state telemarketing laws, federal and state privacy laws, the CAN-SPAM Act, and the Federal Trade Commission Act and their accompanying regulations and guidelines;

- State laws requiring licensure for the solicitation of or brokering of consumer loans which could affect us in our personal loan, automobile loan, student loan or other non-mortgage consumer lending businesses;

- Restrictions on the usage and storage of consumer credit information, such as those contained in the federal Fair Credit Reporting Act and the federal Credit Repair Organization Act; and

- State "Bird Dog" laws which restrict the amount and nature of fees, if any, that may be charged to consumers for automobile direct and indirect financing.

### Intellectual Property

We believe that our intellectual property rights are vital to our success. To protect our intellectual property rights in our brand, technology, products, improvements and inventions, we rely on a combination of trademarks, trade secret, patents and other laws, and contractual restrictions on disclosure, including confidentiality agreements with strategic partners, employees, consultants and other third parties. As new or improved proprietary technologies are developed or inventions are identified, we seek patent protection in the United States and abroad, as appropriate. We have two issued U.S. patents relating to our technologies, including those relating to the method and network for coordinating a

loan over the internet, which expire in 2018. In March 2014, a federal jury found these two patents invalid. In November 2014, we filed a notice of appeal with respect to the jury verdict. See Note 12—Contingencies—Intellectual Property Litigation—Zillow in the notes to the consolidated financial statements included elsewhere in this report.

7

---

Table of Contents

Many of our services are offered under proprietary trademarks and service marks. We generally apply to register or secure by contract our principal trademarks and service marks as they are developed and used. We have 44 trademarks and service marks registered with the United States Patent and Trademark Office. These registrations can typically be renewed at 10-year intervals.

We reserve and register domain names when and where we deem appropriate and we currently have approximately 1,249 registered domain names. We also have agreements with third parties that provide for the licensing of patented and proprietary technology used in our business.

From time to time, we may be subjected to legal proceedings and claims, or threatened legal proceedings or claims, including allegations of infringement of third-party trademarks, copyrights, patents and other intellectual property rights of third parties. In addition, the use of litigation may be necessary for us 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. See Note 12—Contingencies—Intellectual Property Litigation—Zillow in the notes to the consolidated financial statements included elsewhere in this report.

Employees

As of December 31, 2015, we had approximately 312 employees, of which approximately 297 are full-time and 15 are temporary or part-time. None of our employees are represented under collective bargaining agreements and we consider our relations with employees and independent contractors to be good.

Additional Information

Website and Public Filings

We maintain a corporate website at [www.lendingtree.com](http://www.lendingtree.com) and an investor relations website at [investors.lendingtree.com](http://investors.lendingtree.com). None of the information on our website is incorporated by reference in this report, or in any other filings with, or in any information furnished or submitted to, the Securities and Exchange Commission (the "SEC").

We make available, free of charge through our website, our reports on Forms 10-K, 10-Q and 8-K, our proxy statement for the annual shareholders' meeting and beneficial ownership reports on Forms 3, 4 and 5 as soon as reasonably practicable after we file such material with, or furnish such material to, the SEC. Our filings with the SEC are available to the public over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov), or at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

Code of Business Conduct and Ethics

Our code of business conduct and ethics, which applies to all employees, including all executive officers and senior financial officers and directors, is posted on our website at [investors.lendingtree.com/corporate-governance.cfm](http://investors.lendingtree.com/corporate-governance.cfm). This is our code of ethics pursuant to Item 406 of SEC Regulation S-K and the rules of The NASDAQ Stock Market. Any amendments to or waivers of the code of business conduct and ethics that are of the type described in Item 406(b) and (d) of Regulation S-K will be disclosed on our website.

Table of Contents

ITEM 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Before making an investment decision, you should carefully consider the risks described below, together with all of the other information included in this annual report and the information incorporated by reference herein. If any of the risks described below, or incorporated by reference into this annual report actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock may decline and you may lose all or part of your investment. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, financial condition and results of operations. Certain statements below are forward-looking statements. See the information included under the heading "Cautionary Statement Regarding Forward-Looking Information."

Risks Related to Our Business and Industry

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

Constraints in the primary and secondary mortgage markets have in the past had, and may in the future have, an adverse effect on our business, financial condition and results of operations. Generally, increases in interest rates adversely affect the ability of our Network Lenders to close loans, and adverse economic trends limit the ability of our Network Lenders to offer home loans other than low-margin conforming loans. Our businesses may experience a 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 with decreased interest rates, Network Lenders have less incentive to use our marketplaces, or in the case of sudden increases in consumer demand, our Network Lenders may lack the ability to support sudden increases in volume.

We depend on relationships with Network Lenders 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 financial strength of lenders participating on our marketplaces and continuing relationships with such lenders. Network Lenders could, for any reason, experience financial difficulties and cease participating on our lender marketplace, fail to pay match and/or closing fees when due and/or drop the quality of their services to consumers. We could also have commercial or other disputes with such Network Lenders from time to time. The occurrence of one or more of these events with a significant number of Network Lenders could, alone or in combination, have a material and 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 materially and adversely affect our business, financial condition and results of operations.

In order to attract visitors to our websites, convert these visitors into loan requests for our Network Lenders and lead purchasers and generate repeat visits from consumers, our businesses must promote and maintain their various brands. Brand promotion and maintenance requires the expenditure of considerable money and resources for online and offline advertising, marketing and related efforts, as well as the continued provision and introduction of high-quality products and services.

Brand recognition is a key differentiating factor among providers of online services. We believe that continuing to build and maintain the recognition of our various brands is critical to achieving increased demand for the services provided by our businesses. Accordingly, we have spent, and expect to continue to spend, significant amounts on, and devote significant resources to, branding, 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 materially and adversely affect our business, financial condition and results of operations.

Adverse publicity from legal proceedings against us or our businesses, including governmental proceedings and consumer class action litigation, or from the disclosure of information security breaches, could negatively impact our various brands, which could materially and adversely affect our business, financial condition and results of operations. In addition, the actions of our third-party marketing partners who engage in advertising on our behalf could negatively

impact our various brands.

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 loan requests for our Network Lenders and lead purchasers 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 result in the inclusion of our listing,



Table of Contents

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 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 and adverse effect on our business, financial condition and results of operations.

We compete with a number of other online marketing companies, and we face the possibility of new competitors. We currently compete with a number of other online marketing companies and we expect that competition will intensify. Some of these existing competitors may have more capital or complementary products or services than we do, and they may leverage their greater capital or diversification in a manner that adversely affects our competitive position, including by making strategic acquisitions. In addition, new competitors may enter the market and may be able to innovate and bring products and services to market faster, or anticipate and meet consumer or Network Lender demand before we do. Other newcomers, including major search engines and content aggregators, may be able to leverage their existing products and services to our disadvantage. We may be forced to expend significant resources to remain competitive with current and potential competitors. If any of our competitors are more successful than we are at attracting and retaining customers or Network Lenders, our business, financial condition and results of operations could be materially and adversely affected.

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 a material and 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. System interruption and the lack of integration and redundancy in our information systems and infrastructures may materially and adversely affect our ability to operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable or prevent our businesses from efficiently providing services or fulfilling orders. We also rely on affiliate and third-party computer systems, broadband and other communications systems and service providers in connection with the provision of services generally, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in our systems and infrastructures, our businesses, our affiliates and/or third parties, or deterioration in the performance of these systems and infrastructures, could impair the ability of our businesses to provide services, fulfill orders and/or process 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. Any of these events could cause system interruption, delays and loss of critical data, and could prevent our businesses from providing services, fulfilling orders and/or processing transactions. While our businesses have backup systems for certain aspects of their operations, these systems are not fully redundant and disaster recovery planning is not sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these events were to occur, it could materially and adversely affect our business, financial condition and results of operations. A breach of our network security or the misappropriation or misuse of personal consumer information may have a material and 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 maintained by us or our third-party marketing partners could cause interruptions in the operations of our businesses and subject us to increased costs, litigation and other liabilities. Claims could also be made against us or our third-party marketing partners 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. Real or perceived security breaches could also significantly damage our reputation with consumers and third parties with whom we do business.

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 whom we are affiliated or otherwise conduct business with online. Consumers are generally concerned with security and privacy of the Internet, and any publicized security problems affecting our businesses and/or those of third parties may discourage consumers from doing business with us, which could have a material and adverse effect on our business, financial condition and results of operations.

Table of Contents

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

In connection with the sale of loans to secondary market purchasers, Home Loan Center, Inc. ("HLC") may be liable for certain indemnification, repurchase and premium repayment obligations. For example, in connection with the sale of loans to secondary market purchasers, HLC made certain representations regarding related borrower credit information, loan documentation and collateral. To the extent that these representations were incorrect, HLC may be required to repurchase loans or indemnify secondary market purchasers for losses due to borrower defaults. HLC also agreed 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's origination of the loan). Further, HLC agreed 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 has made payments for these liabilities in the past and expects to make payments for these liabilities in the future.

We continue to be liable for these indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of our LendingTree Loans business. We have in the past and intend to continue to negotiate in the future with secondary market purchasers to settle any existing and future contingent liabilities, but we cannot assure you we will be able to do so on terms acceptable to us, or at all. The occurrence of indemnification claims, repurchase obligations or premium repayments beyond our reserves for these contingencies, or our inability to settle with secondary market purchasers, may have a material and adverse effect on our business, financial condition and results of operations.

Difficult market conditions have adversely affected the mortgage industry.

Declines in the housing market from 2006 through early 2012, as measured by the S&P/Case-Schiller 20-city composite home price index, with home price declines and increased foreclosures, unemployment and under-employment, negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but subsequently of other asset-backed securities, credit default swaps and other derivative and cash securities, in turn, caused many financial institutions to seek additional capital, merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the housing markets generally and the strength of counterparties, many lenders and institutional investors reduced or ceased providing funding to borrowers, including to other financial institutions. This market disruption and tightening of credit led to an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The resulting economic pressure on consumers and lack of confidence in the financial markets has had in the past and may have in the future, an adverse effect on our business, financial condition and results of operations.

While conditions in the housing markets have improved since 2013, the failure to sustain such improvements could have adverse effects on us and our Network Lenders. 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 in the past, and may in the future, lead to market-wide liquidity problems and could lead to disruptions in the mortgage industry. Any such disruption could have a material and adverse effect on our business, financial condition and results of operations.

Our recent revenue growth has been driven in significant part by personal loan offerings. If lenders participating on our marketplace decide to reduce their offerings of personal loans or if such loans become unattractive to consumers because of higher interest rates demanded by lenders, then our results of operations and future growth prospects could be materially and adversely affected.

We re-launched our personal loan product in the third quarter of 2013. Revenue from personal loan offerings substantially increased in 2015 compared to 2014 and 2014 compared to 2013 and was responsible for a significant portion of the \$55.7 million increase in non-mortgage revenue in the year ended December 31, 2015 and the \$17.1 million increase in non-mortgage revenue in the year ended December 31, 2014. Personal loans are unsecured obligations and generally carry shorter terms and smaller loan amounts than mortgages. Because they are unsecured,

they are generally riskier assets for lenders than mortgages or other secured loans. Consumer demand for unsecured loans offered on our marketplace is often for refinancing of higher interest credit card debt or for a lower interest alternative to credit card debt for a contemplated larger purchase that would otherwise be purchased with a credit card. Lenders participating on our marketplace may reduce their willingness to make personal loans at more attractive interest rates than credit card debt and may for that reason, or for any other reason, reduce their demand for personal loan requests generated from our personal loan marketplace. Reasons that lenders might reduce their willingness to make personal loans at attractive interest rates may include regulatory changes, stricter institutional lending criteria, a lack of adequate funding sources or capital for loan originations, or increased borrower default levels, which may occur upon adverse changes in regional, national or global economic conditions. If lenders participating on our marketplace decide to reduce their offerings of personal loans or

Table of Contents

if such loans become unattractive to consumers because of higher interest rates demanded by lenders, then our results of operations and future growth prospects could be materially and adversely affected.

Network Lenders affiliated with our marketplaces are not precluded from offering products and services outside of our marketplaces.

Because our businesses do not have exclusive relationships with Network Lenders, consumers may obtain loans from these third-party service providers without having to use our marketplaces. Network Lenders can offer loans directly to consumers through their own marketing campaigns or other traditional methods of distribution, such as referral arrangements, physical store-front operations or broker agreements. Network Lenders may also offer loans and services to prospective customers online directly, through one or more online competitors of our businesses, or both. If a significant number of consumers seek loans and services directly from Network Lenders as opposed to through our marketplaces, our business, financial condition and results of operations could be materially and adversely affected.

Some of our lending services are new to the market and may fail to achieve or maintain customer acceptance and profitability.

In 2013, we expanded our lending offerings by launching LoanExplorer, a "rate table" loan marketplace, and loan marketplaces for reverse mortgages and credit card offerings, and we also re-launched a loan marketplace for personal loans. In 2014, we launched a new student loan offering and marketplace for student loan refinancings and small business loans. We do not have as much experience with these products as with the mortgage marketplaces.

Accordingly, these new offerings may be subject to greater risks than our more mature mortgage marketplaces.

The success of these and other new products we may offer will depend on a number of factors, including:

• Implementing, at an acceptable cost, product features offered by our competitors and/or expected by consumers and lenders;

• Market acceptance by consumers and lenders;

• Offerings by current and future competitors;

• Our ability to attract and retain management and other skilled personnel for these businesses;

• Our ability to collect amounts owed to us from third parties;

• Our ability to develop successful and cost-effective marketing campaigns; and

• Our ability to timely adjust marketing expenditures in relation to changes in demand for the underlying products and services offered by our lead purchasers.

Our results of operations may suffer if we fail to successfully anticipate and manage these issues associated with new products.

If we are unable to continually enhance our products and services and adapt them to technological changes and consumer and lender and/or lead purchaser 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 keep pace with technological developments and changing consumer and customer needs. For example, the number of individuals who access the internet through devices other than a personal computer, such as tablets, mobile telephones, televisions and set-top box devices has increased significantly and this trend is likely to continue. 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. Consumers access many traditional web services on mobile devices through applications, or apps.

It is difficult to predict the problems we may encounter in improving our websites' functionality with these alternative devices or developing apps for mobile platforms. If we fail to develop our websites or apps to respond to these or other technological developments and changing consumer and customer needs cost effectively, we may lose market share, which could materially and 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 regard our intellectual property rights, including patents, service marks, trademarks and domain names, copyrights, trade secrets and similar intellectual property (as applicable), as critical to our success. Our businesses also rely heavily upon software codes, informational databases and other components that make up their products and services.

12

---

Table of Contents

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

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

We have been granted patents and we have patent applications pending with the United States Patent and Trademark Office and various foreign patent authorities for various proprietary technologies and other inventions. The status of any patent involves complex legal and factual questions, and the breadth of claims allowed is uncertain. Accordingly, any patent application filed may not result in a patent being issued, or existing or future patents may not be adjudicated valid by a court or be afforded adequate protection against competitors with similar technology. In March 2014, a federal jury found our two issued patents invalid. In November 2014, we filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. The appeal is now fully briefed. See Note 12—Contingencies—Intellectual Property Litigation—Zillow in the notes to the consolidated financial statements included elsewhere in this report. In addition, third parties may create new products or methods that achieve similar results without infringing upon patents that we own.

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

From time to time, in the ordinary course of business we are subjected to legal proceedings, claims and counterclaims, or threatened legal proceedings, claims or counterclaims, including allegations of infringement of the trademarks, copyrights, patents and other intellectual property rights of third parties. In addition, litigation may be necessary in the future to enforce our intellectual property rights, 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 materially and adversely affect our business, financial condition and results of operations. Patent litigation tends to be particularly protracted and expensive. In 2014, we participated in a jury trial for the litigation described in Note 12—Contingencies—Intellectual Property Litigation—Zillow in the notes to the consolidated financial statements included elsewhere in this report. The legal expenses associated with this jury trial were material and negatively affected our results of operations for 2014. 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. 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 and 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 or technologies. 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 such transactions on terms that are favorable to us. To the extent we pay the purchase price of any acquisition or investment in cash or through borrowings under our revolving credit facility, it would reduce our cash balances and/or result in indebtedness we must service, which may have a material and adverse effect on our business and financial condition. If the purchase price is paid with our stock, it would be dilutive to 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 a material and adverse effect on our financial condition. There may also be litigation or other claims arising in connection with an acquisition itself.



Table of Contents

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 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.

We rely on the performance of highly skilled personnel and if we are unable to attract, retain and motivate well-qualified employees, our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our management team and our highly skilled employees, including our software engineers, analysts, marketing professionals and sales staff. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. The loss of any of our senior management or key employees could materially and adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business and results of operations could be harmed.

Network Lenders and lead purchasers on our marketplaces may not provide competitive levels of service to consumers, which could materially and 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 and lead purchasers participating on our other marketplaces with whom they are matched. If these providers 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 matched through our marketplaces may decline, which could have a material and adverse effect on our business, financial condition and results of operations.

We have incurred significant operating losses in the past and we may not be able to generate sufficient revenue to be profitable over the long term.

We have a history of incurring operating losses, including for the years ended December 31, 2014 and 2013, and although we were profitable in 2015, we have an accumulated deficit of \$750.1 million at December 31, 2015. If we fail to maintain or grow our revenue and manage our expenses, we may incur significant losses in the future and not be able to maintain profitability.

Our revolving credit facility contains financial covenants and other restrictions on our actions, and it could therefore limit our operational flexibility or otherwise adversely affect our financial condition. Failure to comply with the terms of such facility could impair our rights to the assets that have been pledged as collateral under the facility.

On October 22, 2015, our wholly-owned subsidiary LendingTree, LLC entered into a \$125.0 million five-year senior secured revolving credit facility which matures on October 22, 2020 (the "Revolving Credit Facility"). The proceeds of the Revolving Credit Facility can be used to finance working capital needs, capital expenditures, and general corporate purposes, including to finance permitted acquisitions. We do not currently have any borrowings outstanding under the Revolving Credit Facility.

The Revolving Credit Facility contains certain restrictive covenants, which include a consolidated debt to consolidated EBITDA ratio and a consolidated EBITDA to consolidated interest expense ratio. In addition, the Revolving Credit Facility contains customary affirmative and negative covenants, including, subject to certain exceptions, restrictions on our ability to, among other things:

- incur additional indebtedness;
- grant liens;
- make loans and investments;
- enter into mergers or make certain fundamental changes;
- make certain restricted payments, including dividends, distributions, stock repurchases or redemptions;

Table of Contents

sell assets;  
enter into transactions with affiliates;  
enter into restrictive transactions;  
enter into sale and leaseback transactions;  
enter into hedging transactions; and  
engage in certain other transactions without the prior consent of the lenders.

The Revolving Credit Facility requires LendingTree, LLC to pledge as collateral, subject to certain customary exclusions, 100% of the assets, including 100% of its equity in all of its subsidiaries. The obligations under this facility are unconditionally guaranteed on a senior basis by LendingTree, Inc. and specific subsidiaries of LendingTree, LLC, which guarantees are secured by a pledge as collateral, subject to certain customary exclusions, of 100% of each such guarantor's assets, including 100% of its equity in all of its subsidiaries.

If an event of default occurs or if we otherwise fail to comply with any of the negative or affirmative covenants of the Revolving Credit Facility, the lenders may declare all of the obligations and indebtedness under such facility due and payable. In such a scenario, the lenders could exercise their lien on the pledged collateral, which would have a material adverse effect on our business, operations, financial condition and liquidity. For additional information on the Revolving Credit Facility, see Note 10—Revolving Credit Facility, in the notes to the consolidated financial statements included elsewhere in this report.

If our goodwill or indefinite-lived intangible assets become impaired, we may be required to record a significant charge to earnings.

Under accounting principles generally accepted in the United States of America ("GAAP"), we review the carrying value of goodwill and indefinite-lived intangible assets on an annual basis as of October 1, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or indefinite-lived intangible assets may not be recoverable, include a decline in stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry or our customers' industries. We may be required to record a significant charge in our financial statements during a period in which any impairment of our goodwill or indefinite-lived intangible assets is determined, negatively impacting our results of operations.

**Risks Related to Compliance and Regulation**

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

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

Our businesses conduct marketing activities via the telephone, the mail and/or through online marketing channels, which general 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, the Telephone Consumer Protection Act and the Federal Trade Commission Act and its accompanying regulations and guidelines, among others. Increased regulation by the U.S. Federal Trade Commission ("FTC") and Federal Communications Commission ("FCC") has resulted in restrictions on telephone calls to residential and wireless telephone subscribers. Additional federal, state and in some instances, local, laws regulate residential lending activities, which impacts the marketplace, lenders and consumers. 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 RESPA, the Fair Credit Reporting Act, the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Housing Act and various state laws. 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.

Failure to comply with applicable laws and regulatory requirements may result in, among other things, revocation of or inability to renew required licenses or registrations, loss of approval status, termination of contracts without compensation,

Table of Contents

administrative enforcement actions and fines, private lawsuits, including those styled as class actions, 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, as well as to operate real estate referral and brokerage services, and in many cases require the licensure or registration of individual employees engaged in aspects of these businesses. 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 have adopted or are in the process of adopting and 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 for us and our Network Lenders to operate or may raise our internal costs or the costs of our Network Lenders, which may be passed on to us through less favorable commercial arrangements. While our businesses have endeavored to comply with applicable requirements, 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 such jurisdictions. The withdrawal from any jurisdiction due to emerging legal requirements could materially and adversely affect our business, financial condition and results of operations.

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, lending and real estate brokerage services, or otherwise limiting our and our Network Lenders' ability to conduct marketing and referral activities.

Various federal, state and in some instances, local, laws also prohibit unfair and deceptive sales practices. We have adopted appropriate policies and procedures to address these requirements (such as appropriate consumer disclosures and call scripting, call monitoring and other quality assurance and compliance measures), but it is not possible to ensure that all employees comply with our policies and procedures at all times.

Compliance with these laws, rules and regulations is a significant component of our internal costs, and new laws, rules and regulations are frequently proposed and adopted, requiring us to adopt new procedures and practices. Changes to existing laws, rules and regulations or changes to interpretation of existing laws, rules and regulations could result in further restriction of activities incidental to our business and could have a material and adverse effect on our business, results of operation and financial condition.

Parties through which our businesses conduct business similarly may be subject to federal and state regulation. These parties typically act as independent contractors and not as agents in their solicitations and transactions with consumers. We cannot ensure that these entities will comply with applicable laws and regulations at all times. Failure on the part of a lender, secondary market purchaser, website operator or other third party to comply with these laws or regulations could result in, among other things, claims of vicarious liability or a negative impact on our reputation and business.

Regulatory authorities and private plaintiffs may allege that we failed to comply with applicable laws, rules and regulations where we believe we have complied. These allegations may relate to past conduct and/or past business operations, such as our discontinued real estate brokerage operation (which was subject to various state and local laws, rules and regulations). Even allegations that our activities have not complied or do not comply with all applicable laws and regulations may have a material and adverse effect on our business, financial condition and results of operations.

The alleged violation of such laws, rules or regulations may entitle an individual plaintiff to seek monetary damages, or may entitle an enforcing government agency to seek significant civil or criminal penalties, costs and attorneys' fees. Regardless of its merit, an allegation typically requires legal fee expenditures to defend against. We have in the past and may in the future decide to settle allegations of non-compliance with laws, rules and regulations when we determine that the cost of settlement is less than the cost and risk of continuing to defend against an allegation. Settlements may require us to pay monetary fines and may require us to adopt new procedures and practices, which may render it more difficult to operate or may raise our internal costs. The future occurrence of one or more of these events could have a material and adverse effect on our business, financial condition and results of operations.

Table of Contents

The collection, 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 collection, sharing, use, disclosure and protection of this information are governed by the privacy and data security policies maintained by us and our businesses. 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 materially and 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 failure, and/or the failure by the various third-party vendors and service providers with whom we do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage the reputation of these businesses, discourage potential users from our products and services and/or result in fines and/or proceedings by governmental agencies and/or consumers, one or all of which could materially and adversely affect our business, financial condition and results of operations.

Changes in the regulation of the Internet could negatively affect our business.

Laws, rules and regulations governing Internet communications, advertising and e-commerce are dynamic and the extent of future government regulation is uncertain. Federal and state regulations govern various aspects of our online business, including intellectual property ownership and infringement, trade secrets, the distribution of electronic communications, marketing and advertising, user privacy and data security, search engines and Internet tracking technologies. Future taxation on the use of the Internet or e-commerce transactions could also be imposed. Existing or future regulation or taxation could hinder growth in or negatively impact the use of the Internet generally, including the viability of Internet e-commerce, which could reduce our revenue, increase our operating expenses and expose us to significant liabilities.

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

In July 2010, the President signed into law 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, many of which have not yet been adopted and to prepare numerous studies and reports for Congress, which could result in additional legislative or regulatory action. 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 Consumer Financial Protection Bureau 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 has been and could continue to be significant, depending upon remaining implementing regulations, the actions of our competitors and the behavior of other marketplace participants. In addition, we have been, and likely will continue to 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. We are also unable to predict whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future.

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 licenses to operate in certain states, which could have a material and adverse effect on our business, financial condition and results of operations.



Table of Contents

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) 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, we may be unable to obtain certain licenses and existing licensing arrangements may be jeopardized. The inability to obtain, or the loss of, required licenses could have a material and adverse effect on our business, financial condition and results of operations.

**Risks Related to an Investment in our Common Stock**

Fluctuations in our operating results, quarter to quarter earnings and other factors may result in significant decreases in the price of our common stock.

The market price for our common stock has been volatile since our spin-off. In addition, the trading volume in our common stock has fluctuated and may continue to fluctuate, causing significant price variations to occur. As of December 31, 2015, since our spin-off, the price per share of our common stock has fluctuated from an intra-day low of \$1.42 per share to an intra-day high of \$139.59 per share. If the market price of our shares declines significantly, the value of an investment in our common stock would decline. The market price of our common stock may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common stock or result in fluctuations in the price or trading volume of our common stock include:

- variations in our quarterly operating results;
- failure to meet analysts' earnings estimates;
- publication of research reports about us, our Network Lenders or our industry or the failure of securities analysts to cover our common shares or our industry;
- additions or departures of key management personnel;
- adverse market reaction to any indebtedness we may incur or preference or common shares we may issue in the future;
- changes in our dividend payment policy or failure to execute our existing policy;
- actions by shareholders;
- changes in market valuations of other companies in our industry, including our customers and competitors;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- speculation in the press or investment community, including short selling; and
- changes or proposed changes in laws or regulations affecting our industry or enforcement of these laws and regulations, or announcements relating to these matters.

Recently, and in the past, the stock market has experienced extreme price and volume fluctuations. These market fluctuations could result in extreme volatility in the trading price of our common stock, which could cause a decline in the value of your investment in our common shares. In addition, the trading price of our common stock could decline for reasons unrelated to our business or financial results, including in reaction to events that affect other companies in our industry even if those events do not directly affect us. You should also be aware that price volatility may be greater if the public float and trading volume of our common stock are low. These factors may result in short-term or long-term negative pressure on the value of our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for internet marketplace operators and lead-generation companies depends, in part, on the research and reports that securities or industry analysts publish about the industry and specific companies. If one or more analysts covering us currently or in the future fail to publish reports on us regularly, demand for our common stock could decline, which could cause our stock price and trading volume to decline. If one or more recognized securities or industry analysts that cover our company or our industry in the future downgrades our common stock or publishes inaccurate or unfavorable research about our business or industry, our stock price would likely decline.



Table of Contents

Two holders of our common stock own a substantial portion of our outstanding common stock, which concentrates voting control and limits your ability to influence corporate matters.

As of February 19, 2016, Douglas Lebda, our Chairman and Chief Executive Officer, and Liberty Interactive Corporation beneficially owned approximately 21% and 23%, respectively, of our outstanding common stock. Liberty Interactive also has the right to nominate 20% of the total number of directors serving on the board, rounded up. Two of our seven directors, Neal Dermer and Craig Troyer, were nominated by Liberty Interactive.

Therefore, for the foreseeable future, Mr. Lebda and Liberty Interactive will each have influence over our management and affairs and all matters requiring shareholder approval, including the election or removal (with or without cause) of directors and approval of any significant corporate transaction, such as a merger or other sale of us or our assets. The interests of Mr. Lebda or Liberty Interactive may not necessarily align with the interests of our other stockholders. Mr. Lebda or Liberty Interactive could elect to sell a significant interest in us and you may receive less than the then-current fair market value or the price you paid for your shares as a result of such transaction. This concentrated control could delay, defer or prevent a change of control, merger, consolidation, takeover or other business combination involving us that other stockholders may otherwise support. This concentrated control could also discourage a potential investor from acquiring our common stock and might harm the market price of our common stock.

Our management will have broad discretion as to the use of proceeds from the November 2015 equity offering. We intend to use the proceeds of the November 2015 equity offering for general corporate purposes, including but not limited to, working capital and potential acquisitions. We have not designated the amount of net proceeds we will use for any particular purpose and our management will retain broad discretion to allocate the net proceeds of the offering. Moreover, our management may use the proceeds for corporate purposes that may not increase our market value or make us more profitable. In addition, it may take us some time to effectively deploy the proceeds from the equity offering. Until the proceeds are effectively deployed, our return on equity and earnings per share may be negatively impacted. Management's failure to use the net proceeds of the equity offering effectively could have an adverse effect on our business, financial condition and results of operations. For additional information on the equity offering, see Note 7—Shareholders' Equity, in the notes to the consolidated financial statements included elsewhere in this report. Future sales of common stock by our existing stockholders may cause our stock price to fall.

The market price of our common stock could decline as a result of sales by our existing stockholders in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

We may issue additional shares of our common stock in the future pursuant to current or future equity incentive plans, or in connection with future acquisitions or financings. If we were to raise capital in the future by selling shares of our common stock, or securities that are convertible into our common stock or issuing shares of our common stock in a business acquisition, their issuance would have a dilutive effect on the percentage ownership of our stockholders and, depending on the prices at which such shares or convertible securities are sold or issued, on their investment in our common stock and, therefore, could have a material adverse effect on the market prices of our common stock.

Under a registration rights agreement with Liberty Interactive, Liberty Interactive and its permitted transferees are entitled to three demand registration rights (and unlimited piggyback registration rights) in respect of the shares of our common stock received by Liberty Interactive as a result of the spin-off and other shares of our common stock acquired by Liberty Interactive or its affiliates. These holders will also be permitted to exercise their registration rights in connection with certain hedging transactions that they may enter into in respect of the registrable shares. The presence of additional shares of our common stock trading in the public market, as a result of the exercise of such registration rights, may have an adverse effect on the market price of our securities.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by stockholders to replace or remove our management and affect the market price of our common stock.

Provisions in our certificate of incorporation and bylaws, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated articles of incorporation

and/or amended and restated bylaws include provisions that:

- Authorize our board of directors to issue, without further action by our stockholders, up to five million shares of undesignated preferred stock, sometimes referred to as "blank check preferred";

- Prohibit cumulative voting in the election of directors;

Table of Contents

• Provide that vacancies on our board of directors may be filled only by the affirmative vote of a majority of directors then in office or by the sole remaining director;

• Provide that only our board of directors may change the size of our board of directors;

• Specify that special meetings of our stockholders may be called only by or at the direction of our board of directors or by a person specifically designated with such authority by the board; and

• Prohibit stockholders from taking action by written consent.

The provisions described above may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing our management. These provisions may also have the effect of delaying or preventing a change of control of our company, even if stockholders support such a change of control.

We do not intend to pay any cash dividends on our common stock in the foreseeable future.

We have not declared or paid a cash dividend on our common stock during the three most recent fiscal years. We have no current intention to declare or pay cash dividends on our common stock in the foreseeable future. In addition, the Revolving Credit Facility contains certain restrictions on our ability to pay dividends. See Note 10—Revolving Credit Facility, in the notes to the consolidated financial statements included elsewhere in this report. The declaration, payment and amount of future cash dividends, if any, will be at the discretion of our board of directors. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future for holders of our common stock.

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

Our mortgage products business is historically subject to seasonal trends. These trends reflect the general patterns of the mortgage industry and housing sales, which typically peak in the spring and summer seasons. In recent periods, broader cyclical trends in interest rates, as well as the mortgage and real estate markets, have upset the customary seasonal trends. However, seasonal trends may resume and our quarterly operating results may fluctuate. Our non-mortgage products businesses have various seasonality trends which may create further uncertainty in our quarterly operating results if these business become more significant components of our total revenue. See "Item 1. Business—Seasonality" included elsewhere in this report for more information. Any of these seasonal trends, or the combination of them, may negatively impact the price of our common stock.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Our principal executive offices are currently located in approximately 37,800 square feet of office space in Charlotte, North Carolina under a lease that expires in December 2020. In addition, we have offices located in approximately 6,100 square feet of office space in Burlingame, California under a lease that expires in March 2017 and approximately 13,000 square feet of additional office space in Charlotte, North Carolina under a lease that expires in August 2018.

ITEM 3. Legal Proceedings

In the ordinary course of business, we are party to litigation involving property, contract, intellectual property and a variety of other claims. The amounts that may be recovered in such matters may be subject to insurance coverage. See Note 12—Contingencies in the notes to the consolidated financial statements included elsewhere in this report for a discussion of our current litigation.

ITEM 4. Mine Safety Disclosures

Not applicable.

Table of Contents

## PART II

## ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## General Market Information, Holders and Dividends

Our common stock is quoted on the NASDAQ Global Select Market under the ticker symbol "TREE". The table below sets forth, for the calendar periods indicated, the high and low intraday sales prices per share for LendingTree common stock as reported on the NASDAQ Stock Market. The stock price information is based on published financial sources.

|                              |         |         |
|------------------------------|---------|---------|
| Year Ended December 31, 2015 | High    | Low     |
| First Quarter                | \$58.00 | \$38.85 |
| Second Quarter               | 78.78   | 54.32   |
| Third Quarter                | 139.59  | 73.56   |
| Fourth Quarter               | 131.83  | 85.18   |
| Year Ended December 31, 2014 | High    | Low     |
| First Quarter                | \$35.05 | \$29.76 |
| Second Quarter               | 31.66   | 22.94   |
| Third Quarter                | 36.00   | 24.61   |
| Fourth Quarter               | 48.84   | 33.72   |

As of February 19, 2016, there were approximately 870 holders of record of our common stock and the closing price of the common stock was \$63.69.

We have not declared a cash dividend on our common stock during the three most recent fiscal years. We have no current intention to declare or pay cash dividends on our common stock in the foreseeable future. The declaration, payment and amount of future cash dividends, if any, will be at the discretion of our board of directors. The revolving credit facility we entered into on October 22, 2015 contains contractual restrictions on our ability to pay dividends. See Note 10—Revolving Credit Facility, in the notes to the consolidated financial statements included elsewhere in this report for additional information.

## Performance Graph

The performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference into any filings under the Securities Act or the Exchange Act, except as otherwise expressly set forth by specific reference in such filing.

Set forth below is a line graph, for the period from December 31, 2010 through December 31, 2015, comparing the cumulative total stockholder return of \$100 invested (assuming that all dividends were reinvested) in (1) our common stock, (2) the cumulative return of all companies listed on the NASDAQ Composite Index and (3) the cumulative total return of the Research Development Group ("RDG") Internet index. Returns over the indicated periods should not be considered indicative of future stock prices or stockholder returns.

Table of Contents

Unregistered Sales of Equity Securities and Use of Proceeds

During the year ended December 31, 2015, we did not issue or sell any shares of our common stock or other equity securities in transactions that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

In January 2010, our board of directors approved and we announced a stock repurchase program which allowed for the repurchase of up to \$10.0 million of our common stock. In May 2014, our board of directors authorized and we announced an additional \$10.0 million to the stock repurchase program. At December 31, 2015, approximately \$7.3 million remained authorized for share repurchase under this program. Under this program, we can repurchase stock in the open market or through privately-negotiated transactions. We have used available cash to finance these repurchases. We will determine the timing and amount of any additional repurchases based on our evaluation of market conditions, applicable SEC guidelines and regulations, and other factors. This program may be suspended or discontinued at any time at the discretion of our board of directors. No shares of common stock were repurchased under the stock repurchase program during the quarter ended December 31, 2015. In January 2016, our board of directors authorized and we announced an additional \$50.0 million to the stock repurchase program. In February 2016, the board of directors further authorized and we announced the addition of up to \$40.0 million under the stock repurchase program. Between January 1, 2016 and February 26, 2016, 573,370 shares of common stock were repurchased and as of February 26, 2016, approximately \$57.3 million remains authorized for share repurchase. Additionally, the LendingTree Fourth Amended and Restated 2008 Stock and Award Incentive Plan allows employees to forfeit shares of our common stock to satisfy federal and state withholding obligations upon the exercise of stock options, the settlement of restricted stock unit awards and the vesting of restricted stock awards granted to those individuals under this plan. During the quarter ended December 31, 2015, 12,395 shares were purchased related to these obligations under the LendingTree Fourth Amended and Restated 2008 Stock and Award Incentive Plan. The withholding of those shares does not affect the dollar amount or number of shares that may be purchased under the stock repurchase program described above.

Table of Contents

The following table provides information about the Company's purchases of equity securities during the quarter ended December 31, 2015.

| Period             | Total Number of Shares Purchased<br>(1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | Maximum Number/Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) |
|--------------------|---|------------------------------|--|--|
| 10/1/15 - 10/31/15 | —                                       | \$—                          | —  | \$ 7,273   |
| 11/1/15 - 11/30/15 | 11,271                                  | \$119.85                     | —  | \$ 7,273   |
| 12/1/15 - 12/31/15 | 1,124                                   | \$95.78                      | —  | \$ 7,273   |
| Total              | 12,395                                  | \$117.66                     | —  | \$ 7,273   |

During October 2015, November 2015 and December 2015, 0 shares, 11,271 shares and 1,124 shares, respectively (totaling 12,395 shares), were purchased to satisfy federal and state withholding obligations of our employees upon the settlement of restricted stock unit awards, all in accordance with our Fourth Amended and Restated 2008 Stock and Award Incentive Plan, as described above.

(1) See the narrative disclosure above the table for further description of our publicly announced stock repurchase program.



Table of Contents

## ITEM 6. Selected Financial Data

The summary financial data presented below represents portions of our consolidated financial statements and are not complete. The following financial information should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto contained in "Item 8. Financial Statements and Supplementary Data" included elsewhere in this Annual Report. Historical results are not necessarily indicative of future performance or results of operations.

|   | Year Ended December 31,                  |           |           |                     |             |
|---|--|-----------|-----------|---------------------|-------------|
|   | 2015                                     | 2014      | 2013      | 2012 <sup>(1)</sup> | 2011        |
|   | (in thousands, except per share amounts) |           |           |                     |             |
| Results of Operations:                                    |  |           |           |                     |             |
| Revenue   | \$254,216                                | \$167,350 | \$139,240 | \$77,443            | \$54,617    |
| Income (loss) from continuing operations <sup>(2)</sup>   | 51,316                                   | (487 )    | (673 )    | (2,249 )            | (49,710 )   |
| Income (loss) from discontinued operations <sup>(3)</sup> | (3,269 )                                 | 9,849     | 4,620     | 48,874              | (9,793 )    |
| Net income (loss) and comprehensive income (loss)         | \$48,047                                 | \$9,362   | \$3,947   | \$46,625            | \$(59,503 ) |
| Weighted average shares outstanding:                      |  |           |           |                     |             |
| Basic   | 11,516                                   | 11,188    | 11,035    | 10,695              | 10,377      |
| Diluted   | 12,541                                   | 11,188    | 11,035    | 10,695              | 10,377      |
| Income (loss) per share from continuing operations:       |  |           |           |                     |             |
| Basic   | \$4.46                                   | \$(0.04 ) | \$(0.06 ) | \$(0.21 )           | \$(4.79 )   |
| Diluted   | \$4.09                                   | \$(0.04 ) | \$(0.06 ) | \$(0.21 )           | \$(4.79 )   |
| Income (loss) per share from discontinued operations:     |  |           |           |                     |             |
| Basic   | \$(0.28 )                                | \$0.88    | \$0.42    | \$4.57              | \$(0.94 )   |
| Diluted   | \$(0.26 )                                | \$0.88    | \$0.42    | \$4.57              | \$(0.94 )   |
| Net income (loss) per share:                              |  |           |           |                     |             |
| Basic   | \$4.17                                   | \$0.84    | \$0.36    | \$4.36              | \$(5.73 )   |
| Diluted   | \$3.83                                   | \$0.84    | \$0.36    | \$4.36              | \$(5.73 )   |
| Cash dividend per share                                   | \$—                                      | \$—       | \$—       | \$1.00              | \$—         |
| Financial Position:                                       |  |           |           |                     |             |
| Cash and cash equivalents                                 | \$206,975                                | \$86,212  | \$91,667  | \$80,190            | \$45,541    |
| Total assets  | \$295,781                                | \$139,891 | \$152,644 | \$143,171           | \$331,340   |
| Total long-term liabilities                               | \$612                                    | \$4,889   | \$5,437   | \$5,883             | \$5,544     |
| Total shareholders' equity                                | \$241,142                                | \$96,366  | \$87,008  | \$82,922            | \$45,471    |

In June 2012, we sold substantially all of the operating assets of our LendingTree Loans business. See

(1) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Years Ended December 31, 2015, 2014 and 2013—Discontinued Operations for more information.

In 2015, we released the majority of the valuation allowance, which, along with federal and state income taxes, (2) resulted in a total tax benefit of \$23.0 million. See Note 9—Income Taxes in the notes to the consolidated financial statements included elsewhere in this report for additional information.

See ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of (3) Operations for the Years Ended December 31, 2015, 2014 and 2013—Discontinued Operations for a discussion of discontinued operations.

Table of Contents

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and accompanying notes included elsewhere within this report. This discussion includes both historical information and forward-looking information that involves risks, uncertainties and assumptions. Our actual results may differ materially from management's expectations as a result of various factors, including but not limited to those discussed in the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information."

Company Overview

LendingTree, Inc. is the parent of LendingTree, LLC and several companies owned by LendingTree, LLC.

LendingTree operates what we believe to be the leading online loan marketplace for consumers seeking loans and other credit-based offerings. Our online marketplace provides consumers with access to product offerings from our Network Lenders, including mortgage loans, home equity, reverse mortgage, auto loans, credit cards, personal loans, student loans and small business loans and other related offerings. In addition, we offer tools and resources, including free credit scores, that facilitate comparison shopping for these loan and other credit-based offerings. We seek to match consumers with multiple lenders, who can provide them with competing quotes for the product they are seeking. We also serve as a valued partner to lenders seeking an efficient, scalable and flexible source of customer acquisition with directly measurable benefits, by matching the consumer inquiries we generate with these lenders. In June 2014, we re-launched My LendingTree, a platform that offers a personalized loan comparison-shopping experience, by providing free credit scores and credit score analysis. This new platform enables us to observe consumers' credit profiles and then identify and alert them to loan and other credit-based offerings on our marketplace that may be more favorable than the loans they may have at a given point in time. This is designed to provide consumers with measurable savings opportunities over their lifetimes.

In addition to operating our core mortgage business, we are focused on growing our non-mortgage lending businesses and developing new product offerings and enhancements to improve the experiences that consumers and lenders have as they interact with us. By expanding our portfolio of loan and credit-based offerings, we are growing and diversifying our business and sources of revenue. We intend to capitalize on our expertise in performance marketing, product development and technology, and to leverage the widespread recognition of the LendingTree brand to effect this strategy.

The LendingTree Loans business is presented as discontinued operations in the accompanying consolidated balance sheets, consolidated statements of operations and comprehensive income and consolidated cash flows for all periods presented. Except for the discussion under the heading "Discontinued Operations," the analysis within Management's Discussion and Analysis of Financial Condition and Results of Operations reflects our continuing operations.

Reportable and Operating Segments

During the first quarter of 2015, management made certain changes to its organizational structure that impacted its previous operating segments. As a result, management concluded it had one reportable segment representing our Lending activities. Previously reported segment results have been revised to conform to our reportable segments at December 31, 2015.

Recent Mortgage Interest Rate Trends

Interest rate and market risks can be substantial in the mortgage lead generation business. Short-term fluctuations in mortgage interest rates primarily affect consumer demand for mortgage refinancings, while long-term fluctuations in mortgage interest rates, coupled with the U.S. real estate market, affect consumer demand for new mortgages. Consumer demand, in turn, affects lender demand for mortgage leads from third-party sources. Typically, a decline in mortgage interest rates will lead to reduced lender demand, as there are more consumers in the marketplace seeking financing and, accordingly, lenders receive more organic lead volume. Conversely, an increase in mortgage interest rates will typically lead to an increase in lender demand, as there are fewer consumers in the marketplace and, accordingly, the supply of organic mortgage lead volume decreases.



Table of Contents

According to Freddie Mac, mortgage interest rates were at all time lows in December 2012. In 2013, rates rose gradually through the first five months of the year, to 3.54% in May. Thereafter, rates increased more significantly, subsequently peaking at 4.49% in September and finished the year at 4.46%. Mortgage interest rates generally declined as 2014 progressed, to an average of 3.86% in December 2014, the lowest since May 2013. In January 2015, mortgage interest rates continued to decline, reaching a monthly average of 3.67%, after which the mortgage interest rates generally increased to 3.96% by the end of 2015.

On a full-year basis, mortgage interest rates declined to an average 3.85% in 2015, as compared to 4.17% and 3.98% in 2014 and 2013, respectively.

Typically, as mortgage interest rates rise, there are fewer consumers in the marketplace seeking refinancings and, accordingly, the mix of mortgage origination dollars moves towards purchase mortgages. According to Mortgage Bankers Association ("MBA") data, total refinance origination dollars dropped from 60% of total 2013 mortgage origination dollars to 43% in 2014 and increased to 45% in 2015, as a result of an increase and subsequent decrease in average mortgage interest rates.

Looking forward, MBA is projecting mortgage interest rates to climb in 2016, to an average 4.3% on 30-year fixed rate mortgages. According to MBA projections, as interest rates climb, the mix of mortgage origination dollars will continue to move towards purchase mortgages with the refinance share representing just 33% for 2016.

The U.S. Real Estate Market

The health of the U.S. real estate market and interest rate levels are the primary drivers of consumer demand for new mortgages. Consumer demand, in turn, affects lender demand for purchase mortgage leads from third-party sources. Typically, a strong real estate market will lead to reduced lender demand for leads, as there are more consumers in the marketplace seeking financing and,

Table of Contents

accordingly, lenders receive more organic lead volume. Conversely, a weaker real estate market will typically lead to an increase in lender demand, as there are fewer consumers in the marketplace seeking mortgages.

In 2013, existing home sales nationwide increased 9% over 2012, according to the National Association of Realtors ("NAR"), as job growth improved and demand drove the market, despite rising mortgage interest rates. In fact, existing home sales for all of 2013 were the highest since 2006 and median prices maintained strong growth, up 11% from 2012 to \$197 thousand, partially attributable to the shrinking share of distressed home sales. Although home prices as of December 2013 were up, they were still approximately 20% below their mid-2006 peaks.

Despite continued indications of economic recovery, in 2014, existing home sales nationwide declined approximately 3% over 2013, according to the NAR, likely due to lessening housing affordability and higher mortgage interest rates. However, sales of existing homes in the second half of 2014 were up 6% from the first half of the year, as economic growth accelerated, housing inventory increased and sales prices moderated. This momentum continued into 2015, with nationwide existing home sales increasing approximately 7% over 2014, equating to the housing market's best year in nearly a decade.

In 2016, the NAR expects moderate growth in existing home sales compared to 2015, due to slower economic expansion and rising mortgage rates.

## Results of Operations for the Years ended December 31, 2015, 2014 and 2013

|  | Year Ended December 31, |           |           | 2015 vs. 2014 |        | 2014 vs. 2013 |          |        |   |
|--|-------------------------|-----------|-----------|---------------|--------|---------------|----------|--------|---|
|  | 2015                    | 2014      | 2013      | \$            | %      | \$            | %        |        |   |
|  |                         |           |           | Change        | Change | Change        | Change   |        |   |
|  | (Dollars in thousands)  |           |           |               |        |               |          |        |   |
| Mortgage products  | \$165,272               | \$134,137 | \$123,091 | \$31,135      | 23     | %             | \$11,046 | 9      | % |
| Non-mortgage products  | 88,944                  | 33,213    | 16,149    | 55,731        | 168    | %             | 17,064   | 106    | % |
| Revenue  | 254,216                 | 167,350   | 139,240   | 86,866        | 52     | %             | 28,110   | 20     | % |
| Costs and expenses:  |                         |           |           |               |        |               |          |        |   |
| Cost of revenue (exclusive of depreciation shown separately below) | 9,370                   | 7,903     | 6,542     | 1,467         | 19     | %             | 1,361    | 21     | % |
| Selling and marketing expense                                      | 172,849                 | 112,704   | 91,121    | 60,145        | 53     | %             | 21,583   | 24     | % |
| General and administrative expense                                 | 30,030                  | 25,883    | 24,658    | 4,147         | 16     | %             | 1,225    | 5      | % |
| Product development  | 10,485                  | 7,457     | 5,264     | 3,028         | 41     | %             | 2,193    | 42     | % |
| Depreciation   | 3,008                   | 3,245     | 3,501     | (237)         | (7)    | %             | (256)    | (7)    | % |
| Amortization of intangibles  | 149                     | 136       | 147       | 13            | 10     | %             | (11)     | (7)    | % |
| Restructuring and severance  | 422                     | 373       | 159       | 49            | 13     | %             | 214      | 135    | % |
| Litigation settlements and contingencies                           | (611)                   | )10,618   | 8,955     | (11,229)      | (106)  | %             | 1,663    | 19     | % |
| Total costs and expenses   | 225,702                 | 168,319   | 140,347   | 57,383        | 34     | %             | 27,972   | 20     | % |
| Operating income (loss)  | 28,514                  | (969)     | )(1,107)  | 29,483        | 3,043  | %             | 138      | 12     | % |
| Other income (expense), net:                                       |                         |           |           |               |        |               |          |        |   |
| Interest expense   | (171)                   | )(2)      | )(19)     | (169)         | 8,450  | %             | 17       | 89     | % |
| Income (loss) before income taxes                                  | 28,343                  | (971)     | )(1,126)  | 29,314        | 3,019  | %             | 155      | 14     | % |
| Income tax benefit   | 22,973                  | 484       | 453       | 22,489        | 4,646  | %             | 31       | 7      | % |
| Net income (loss) from continuing operations                       | 51,316                  | (487)     | )(673)    | 51,803        | 10,637 | %             | 186      | 28     | % |
| Discontinued operations:   |                         |           |           |               |        |               |          |        |   |
| Gain from sale of discontinued operations, net of tax              | —                       | —         | 9,561     | —             | —      | %             | (9,561)  | )(100) | % |
| (Loss) income from discontinued operations, net of tax             | (3,269)                 | )9,849    | (4,941)   | (13,118)      | (133)  | %             | 14,790   | 299    | % |
| (Loss) income from discontinued operations                         | (3,269)                 | )9,849    | 4,620     | (13,118)      | (133)  | %             | 5,229    | 113    | % |

Edgar Filing: LendingTree, Inc. - Form 10-K

|                                     |          |         |         |          |     |   |         |     |   |
|-------------------------------------|----------|---------|---------|----------|-----|---|---------|-----|---|
| Net income and comprehensive income | \$48,047 | \$9,362 | \$3,947 | \$38,685 | 413 | % | \$5,415 | 137 | % |
| Revenue                             |          |         |         |          |     |   |         |     |   |

Revenue increased \$86.9 million in 2015 compared to 2014 due to increases in our non-mortgage products of \$55.7 million and in our mortgage products of \$31.1 million.

27

---

Table of Contents

Our non-mortgage products include the following non-mortgage lending products: personal loans, home equity, reverse mortgage, credit cards, auto loans, student loans and small business loans. Our non-mortgage products also include home improvement referrals and education enrollment referrals. The increase in revenue from our non-mortgage products in 2015 is primarily due to increases in revenue from our personal loans product and our credit cards product. Revenue from our personal loans product increased \$38.9 million in 2015 compared to 2014 due to growing awareness in the market of the product, an increase in lenders on our exchange, increases in revenue earned per matched consumer and increased marketing efforts. Revenue from our credit cards product increased \$9.2 million in 2015 compared to 2014 due to increases in payouts from issuers in addition to increased marketing efforts. Revenue from each of our non-mortgage lending products increased in 2015 compared to 2014.

The increase in revenue from our mortgage products in 2015 compared to 2014 is primarily due to an increase in revenue from our refinance product. Revenue from our refinance product increased in 2015 compared to 2014 due to increased demand of both new and existing lenders on our marketplace. Additionally, mortgage interest rates were lower in 2015 compared to 2014, causing an increase in sales of the refinance product. The number of consumers matched for our mortgage products increased by 44% in 2015 compared to 2014, while our average revenue earned from mortgage lenders per matched consumer decreased by 14% in 2015 compared to 2014.

Revenue increased \$28.1 million in 2014 compared to 2013 due to increases in our non-mortgage products of \$17.1 million and in our mortgage products of \$11.0 million.

The increase in revenue from our non-mortgage products in 2014 from 2013 was primarily due to increases in revenue from our personal loans product, although revenue from each of our non-mortgage lending products increased.

Revenue from our personal loans product increased \$11.0 million in 2014 compared to 2013. Our reverse mortgage product was introduced in the first quarter of 2013, our credit card offering was introduced in the second quarter of 2013 and our personal loan product was re-launched in the third quarter of 2013.

The increase in our mortgage products in 2014 compared to 2013 was primarily due to an increase in our purchase product, partially offset by a modest decrease in our refinance product. The number of consumers matched on for our mortgage products increased by 38% in 2014 compared to 2013, while our average revenue earned from mortgage lenders per matched consumer decreased by 21% in 2014 compared to 2013.

Cost of revenue

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

Cost of revenue increased in 2015 from 2014, primarily due to increases of \$1.1 million in compensation and benefits as a result of increases in headcount and \$0.7 million in credit card fees, partially offset by a \$0.7 million decrease in credit scoring fees.

Cost of revenue increased in 2014 from 2013, primarily due to increases of \$0.8 million in credit scoring fees, \$0.5 million in credit card fees and \$0.2 million in third-party call center fees, partially offset by a \$0.2 million decrease in compensation and benefits.

Cost of revenue as a percentage of revenue decreased slightly to 4% in 2015 from 5% in 2014 and 2013.

Selling and marketing expense

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

The increases in selling and marketing expense in 2015 compared to 2014 and 2014 compared to 2013 were primarily due to increases in advertising and promotional expense of \$57.1 million and \$21.5 million, respectively, as discussed below. In addition, selling and marketing expense increased in 2015 compared to 2014 due to an increase in compensation and benefits of \$3.1 million as a result of increases in headcount.





Table of Contents

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

|                           | Year Ended December 31, |           |          | 2015 vs. 2014 |        | 2014 vs. 2013 |        |    |
|---------------------------|-------------------------|-----------|----------|---------------|--------|---------------|--------|----|
|                           | 2015                    | 2014      | 2013     | \$            | %      | \$            | %      |    |
|                           |                         |           |          | Change        | Change | Change        | Change |    |
|                           | (Dollars in thousands)  |           |          |               |        |               |        |    |
| Online                    | \$127,294               | \$86,088  | \$64,777 | \$41,206      | 48     | % \$21,311    | 33     | %  |
| Broadcast                 | 28,066                  | 14,011    | 14,597   | 14,055        | 100    | % (586        | )(4    | )% |
| Other                     | 3,863                   | 2,056     | 1,306    | 1,807         | 88     | % 750         | 57     | %  |
| Total advertising expense | \$159,223               | \$102,155 | \$80,680 | \$57,068      | 56     | % \$21,475    | 27     | %  |

We increased our advertising expenditures in 2015 compared to 2014 and in 2014 compared to 2013, in order to generate additional consumer inquiries to meet the increased demand of lenders on our marketplace.

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

#### General and administrative expense

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

General and administrative expense increased in 2015 compared to 2014, primarily due to increases in compensation and benefits of \$2.0 million, increases in recruiting expenses of \$0.5 million, increases in computer software maintenance of \$0.8 million, increases in professional fees of \$0.8 million, partially offset by decreases in asset impairments of \$0.3 million.

General and administrative expense as a percentage of revenue decreased to 12% in 2015 compared to 15% in 2014. General and administrative expense increased in 2014 compared to 2013, primarily due to an impairment charge on long-lived assets of \$0.8 million in 2014, increases in compensation and benefits of \$0.3 million and increases in computer software maintenance of \$0.3 million. Additionally, 2013 included a one-time contribution of \$0.4 million to an educational trust, and a compensation charge of \$0.9 million related to a discretionary cash bonus payment to employee stock option holders.

General and administrative expense as a percentage of revenue decreased to 15% in 2014 compared to 18% in 2013.

#### Product development

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

Product development expense increased in 2015 compared to 2014 and in 2014 compared to 2013, as we continued to invest in internal development of new and enhanced features, functionality and business opportunities that we believe will enable us to better and more fully serve consumers and lenders. Product development expenses are comprised primarily of compensation and other employee-related costs. We increased headcount in 2015 compared to 2014 and in 2014 compared to 2013, in order to support planned product launches.

#### Litigation settlements and contingencies

Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements, in addition to legal fees incurred in connection with various patent litigation claims we are pursuing.

During 2014, we participated in a jury trial for the Zillow litigation described in Note 12—Contingencies in the notes to the consolidated financial statements included elsewhere in this report. The legal expenses associated with this jury trial and post-trial motions increased our litigation settlements and contingencies expense for 2014. In addition, in October 2014, the court awarded NexTag's attorney fees and costs totaling \$2.3 million, which were recorded as litigation expense in 2014. We appealed the award of NexTag's attorney fees and costs in November 2014 and, in June 2015, we reached a settlement agreement with NexTag for \$1.1 million. During the year ended December 31, 2015,

we recorded \$0.6 million in income primarily due to an adjustment in the reserve for NexTag attorney fees and costs associated with this matter, partially offset by legal fees. During the years ended December 31, 2014 and 2013, we recorded \$10.6 million and \$9.0 million, respectively, in expenses. These expenses were due primarily to legal fees incurred in connection with this patent litigation.

Table of Contents

## Income tax expense

|                    | Year Ended December 31,            |          |          |    |
|--------------------|------------------------------------|----------|----------|----|
|                    | 2015                               | 2014     | 2013     |    |
|                    | (in thousands, except percentages) |          |          |    |
| Income tax benefit | \$22,973                           | \$484    | \$453    |    |
| Effective tax rate | (81.1                              | )% (49.8 | )% (40.2 | )% |

For 2015, the effective tax rate varied from the statutory rate primarily due to the reversal of the federal and partial reversal of the state valuation allowance set up in prior years against our deferred tax assets, partially offset by state taxes.

For 2014 and 2013, the effective tax rates varied from the statutory rate primarily due to state taxes.

## Discontinued Operations

On June 6, 2012, we sold substantially all of the operating assets of our LendingTree Loans business for approximately \$55.9 million in cash to Discover. Of the total purchase price, \$8.0 million was paid prior to the closing, \$37.9 million was paid upon the closing and the contingent amount of \$10.0 million was paid and recognized as a gain from sale of discontinued operations in the second quarter of 2013.

Discover generally did not assume liabilities of the LendingTree Loans business that arose before the closing date, except for certain liabilities directly related to assets Discover acquired. Of the purchase price paid, as of December 31, 2015, \$4.0 million is being held in escrow in accordance with the agreement with Discover for certain loan loss obligations that remain with us following the sale.

During 2015, 2014 and 2013, (loss) income from discontinued operations of \$(3.3) million, \$9.8 million and \$4.6 million, respectively, was primarily attributable to the LendingTree Loans business. In 2013, the results of discontinued operations were primarily due to a pre-tax gain of \$10.0 million for an additional purchase price payment made on the first anniversary of the sale of the business, offset by costs relating to the ongoing wind-down of the business. In 2014, results of discontinued operations were primarily due to income from an adjustment in the loan loss reserve as a result of a settlement with one of LendingTree Loans' secondary market purchasers, partially offset by costs relating to the ongoing wind-down of the business. In 2015, loss from discontinued operations was primarily due to litigation settlements and contingencies and legal fees associated with ongoing legal proceedings.

## Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

We report adjusted EBITDA as a supplemental measure to GAAP. This measure is the primary metric by which we evaluate the performance of our businesses, on which our marketing expenditures and internal budgets are based and by which management and many employees are compensated. We believe that investors should have access to the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. We provide and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures discussed below.

## Definition of Adjusted EBITDA

We report Adjusted EBITDA as operating income or loss (which excludes interest expense and taxes) adjusted to exclude amortization of intangibles and depreciation, and to further exclude (1) non-cash compensation expense, (2) non-cash impairment charges, (3) gain/loss on disposal of assets, (4) restructuring and severance expenses, (5) litigation settlements and contingencies and legal fees for certain patent litigation, (6) adjustments for acquisitions or dispositions and (7) one-time items. Adjusted EBITDA has certain limitations in that it does not take into account the impact to our statement of operations of certain expenses, including depreciation, non-cash compensation and acquisition-related accounting. We endeavor to compensate for the limitations of the non-GAAP measures presented by also providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measures. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

## One-Time Items

Adjusted EBITDA is adjusted for one-time items, if applicable. Items are considered one-time in nature if they are non-recurring, infrequent or unusual and have not occurred in the past two years or are not expected to recur in the next two years, in accordance with SEC rules. For the periods presented in this report, there are no adjustments for one-time items, except for \$0.1

Table of Contents

million related to an estimated settlement for unclaimed property in 2015, \$0.9 million related to a discretionary cash bonus payment to employee stock option holders in 2013 and a one-time contribution of \$0.4 million to an educational trust in 2013.

**Non-Cash Expenses that are Excluded from Adjusted EBITDA**

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

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

The following table is a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations.

|   | Year Ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2015                    | 2014     | 2013     |
|   | (in thousands)          |          |          |
| Adjusted EBITDA   | \$40,818                | \$21,827 | \$18,717 |
| Adjustments to reconcile to net income (loss) from continuing operations: |                         |          |          |
| Amortization of intangibles   | (149                    | ) (136   | ) (147   |
| Depreciation  | (3,008                  | ) (3,245 | ) (3,501 |
| Restructuring and severance   | (422                    | ) (373   | ) (159   |
| Loss on disposal of assets  | (748                    | ) (282   | ) (165   |
| Impairment of long-lived assets   | —                       | (805     | ) —      |
| Non-cash compensation   | (8,370                  | ) (7,277 | ) (5,627 |
| Estimated settlement for unclaimed property                               | (134                    | ) —      | —        |
| Acquisition expense   | (84                     | ) (60    | ) —      |
| Discretionary cash bonus  | —                       | —        | (920     |
| Trust contribution  | —                       | —        | (350     |
| Litigation settlements and contingencies                                  | 611                     | (10,618  | ) (8,955 |
| Interest expense  | (171                    | ) (2     | ) (19    |
| Income tax benefit  | 22,973                  | 484      | 453      |
| Net income (loss) from continuing operations                              | \$51,316                | \$(487   | ) \$(673 |

**Financial Position, Liquidity and Capital Resources****General**

As of December 31, 2015, we had \$207.0 million of cash and cash equivalents and \$6.5 million of restricted cash and cash equivalents, compared to \$86.2 million of cash and cash equivalents and \$18.7 million of restricted cash and cash equivalents as of December 31, 2014. In February 2016, \$2.5 million in escrow for the surety bonds was released due to a reduction in collateral requirements.

In November 2015, the Company completed an equity offering of 852,500 shares of its common stock. The Company received net proceeds of \$91.5 million, after deducting approximately \$5.9 million in underwriting discounts and \$0.7 million in offering expenses. The Company expects to use the net proceeds of the offering for general corporate purposes, including but not limited to, working capital and potential acquisitions.

We expect our cash and cash equivalents and cash flows from operations to be sufficient to fund our operating needs for the next twelve months and beyond. Our revolving credit facility described below is an additional potential source of liquidity.

**Senior Secured Revolving Credit Facility**

On October 22, 2015, we established a \$125.0 million five-year Senior Secured Revolving Credit Facility which matures on October 22, 2020 (the "Revolving Credit Facility"). The proceeds of the Revolving Credit Facility can be used to finance working

Table of Contents

capital needs, capital expenditures and general corporate purposes, including to finance permitted acquisitions. As of February 19, 2016, we do not have any borrowings under the Revolving Credit Facility.

For additional information on the Revolving Credit Facility, see Note 10—Revolving Credit Facility in the notes to the consolidated financial statements included elsewhere in this report.

#### Cash Flows from Continuing Operations

Our cash flows attributable to continuing operations are as follows:

|   | Year Ended December 31, |         |          |
|---|-------------------------|---------|----------|
|   | 2015                    | 2014    | 2013     |
|   | (in thousands)          |         |          |
| Net cash provided by operating activities           | \$32,584                | \$9,075 | \$10,238 |
| Net cash provided by investing activities           | 4,901                   | 2,704   | 647      |
| Net cash provided by (used in) financing activities | 86,909                  | (7,651) | (5,983)  |

#### Cash Flows from Operating Activities

Our largest source of cash provided by our operating activities is revenues generated by our mortgage and non-mortgage products. Our primary uses of cash from our operating activities include advertising and promotional payments and fees paid for consumer inquiries. In addition, our uses of cash from operating activities include compensation and other employee-related costs, other general corporate expenditures, litigation settlements and contingencies, and income taxes.

Net cash provided by operating activities attributable to continuing operations increased in 2015 from 2014 primarily due to an increase in revenue, partially offset by an increase in cost of revenue and selling and marketing.

Additionally, there was a decrease in payments related to litigation settlements and contingencies and a net increase in cash from changes in working capital primarily driven by changes in accounts receivable and accounts payable and other current liabilities and income taxes payable.

Net cash provided by operating activities attributable to continuing operations decreased in 2014 from 2013 primarily due to negative working capital primarily driven by changes in accounts payable and other current liabilities.

#### Cash Flows from Investing Activities

Net cash provided by investing activities attributable to continuing operations in 2015 of \$4.9 million consisted primarily of \$12.2 million in the release of restricted cash previously held in escrow in connection with the sale of LendingTree Loans, offset by capital expenditures of \$7.2 million primarily related to internally developed software.

Net cash provided by investing activities attributable to continuing operations in 2014 of \$2.7 million consisted primarily of capital expenditures of \$3.9 million and \$0.7 million in payments made to acquire a business, which was more than offset by a decrease in restricted cash of \$7.3 million. In 2014, we reached and executed a settlement with the disputing party on the earnout related to an acquisition, upon which \$2.0 million of cash previously held in escrow was released. Additionally, in 2014, we reached and executed a settlement with one of our LendingTree Loans' secondary market purchasers related to loan loss obligations, upon which \$2.0 million of cash previously held in escrow was released. Finally, in 2014, we reached and executed a settlement with another secondary market purchaser related to loan loss obligations, upon which \$3.1 million of cash previously held by such secondary market purchaser was paid out.

Net cash provided by investing activities attributable to continuing operations in 2013 of \$0.6 million consisted primarily of capital expenditures of \$2.8 million, which was more than offset by a decrease in restricted cash of \$3.4 million. The decrease in restricted cash is associated with a reduction in the collateral requirement for certain of our surety bonds, which are required by the various states in which we currently operate or previously operated. As a result, \$4.0 million of cash previously held in escrow was released.

#### Cash Flows from Financing Activities

Net cash provided by financing activities attributable to continuing operations in 2015 of \$86.9 million consisted primarily of net proceeds from the November 2015 equity offering of \$91.5 million and \$4.6 million in excess tax benefits from stock-based award activity, offset by \$7.6 million in withholding taxes paid by us upon the surrender of shares to satisfy obligations on equity awards, \$1.2 million for the payment of debt issuance costs, the repurchase of

our stock of \$0.2 million and \$0.1 million in dividend payments.

32

---



Table of Contents

Net cash used in financing activities attributable to continuing operations in 2014 of \$7.7 million consisted primarily of \$4.8 million in withholding taxes paid by us upon the surrender of shares to satisfy obligations on equity awards and the repurchase of our stock of \$2.6 million.

Net cash used in financing activities attributable to continuing operations in 2013 of \$6.0 million consisted primarily of \$2.8 million in withholding taxes paid by us upon the surrender of shares to satisfy obligations on equity awards and the repurchase of our stock of \$3.3 million.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements other than our operating lease obligations and funding commitments pursuant to our surety bonds. See Note 11—Commitments to the consolidated financial statements included elsewhere in the report for further details.

**Summary of Contractual Obligations**

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2015.

| Contractual Obligations <sup>(a)</sup>     | Payments Due By Period as of December 31, 2015 |                     |           |           |                      |
|--|--|---------------------|-----------|-----------|----------------------|
|  | Total  | Less Than<br>1 Year | 1-3 Years | 3-5 Years | More Than<br>5 Years |
| Operating lease obligations <sup>(b)</sup> | \$6,348  | \$1,668             | \$2,600   | \$2,080   | \$—                  |
| Total contractual obligations              | \$6,348  | \$1,668             | \$2,600   | \$2,080   | \$—                  |

Excludes potential obligations under surety and litigation bonds and the indemnification obligations, repurchase (a) obligations and premium repayment obligations for which our HLC subsidiary continues to be liable following the sale of substantially all of the operating assets of our LendingTree Loans business in the second quarter of 2012.

(b) Our operating lease obligations are associated with office space in both our continuing and discontinued operations.

**Critical Accounting Policies and Estimates**

The following disclosure is provided to supplement the description of our accounting policies contained in Note 2—Significant Accounting Policies to the consolidated financial statements included elsewhere in this report in regard to significant areas of judgment. This disclosure includes accounting policies related to both continuing operations and discontinued operations. Management is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates. Because of the size of the financial statement elements to which they relate, some of our accounting policies and estimates have a more significant impact on our consolidated financial statements than others. A discussion of some of our more significant accounting policies and estimates follows.

**Loan Loss Obligations**

We make estimates as to our exposure related to our obligation to repurchase loans previously sold to investors or to repay premiums paid by investors in purchasing loans, and reserve for such contingencies accordingly. Such payments to investors may be required in cases where underwriting deficiencies, borrower fraud, documentation defects, early payment defaults and early loan payoffs occurred.

Our HLC subsidiary continues to be liable for certain indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of our LendingTree Loans business on June 6, 2012. Approximately \$4.0 million is being held in escrow pending resolution of certain of these contingent liabilities. We have been negotiating with certain secondary market purchasers to settle any existing and future contingent liabilities, but we may not be able to complete such negotiations on acceptable terms, or at all. Because we do not service the loans LendingTree Loans sold, we do not maintain nor have access to the current balances and loan performance data with respect to the individual loans previously sold to investors. Accordingly, we are unable to determine, with precision, our maximum exposure for breaches of the representations and warranties LendingTree Loans made to the investors that purchased such loans.

We estimate the liability for loan losses using a settlement discount framework. This approach estimates the lifetime losses on the population of remaining loans originated and sold by LendingTree Loans using actual defaults for loans with similar

Table of Contents

characteristics and projected future defaults. It also considers the likelihood of claims expected due to alleged breaches of representations and warranties made by LendingTree Loans and the percentage of those claims investors estimate LendingTree Loans may agree to repurchase. We then apply a settlement discount factor to the result of the foregoing to reflect publicly- announced bulk settlements for similar loan types and vintages, our own settlement experience, as well as LendingTree Loans' non-operating status, in order to estimate a range of the potential obligation. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material and adverse impact on our results of operations for any particular period.

We have considered both objective and subjective factors in our estimation process, but given current general industry trends in mortgage loans as well as housing prices, market expectations and actual losses related to LendingTree Loans' obligations could vary significantly from the obligation recorded as of December 31, 2015 of \$8.1 million or the range of remaining loan losses of \$5.7 million to \$10.3 million. See Note 16—Discontinued Operations—LendingTree Loans—Loan Loss Obligations to the consolidated financial statements included elsewhere in this report for additional information on the loan loss reserve.

**Income Taxes**

Estimates of deferred income taxes and the significant items giving rise to the deferred assets and liabilities are shown in Note 9—Income Taxes to the consolidated financial statements included elsewhere in this report, and reflect management's assessment of actual future taxes to be paid on items reflected in the consolidated financial statements, giving consideration to both timing and the probability of realization. Actual income taxes could vary from these estimates due to future changes in income tax law, state income tax apportionment or the outcome of any review of our tax returns by the IRS, as well as actual operating results that may vary significantly from anticipated results.

We also recognize liabilities for uncertain tax positions based on the two-step process prescribed by the accounting guidance for uncertainty in income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. This measurement step is inherently difficult and requires subjective estimations of such amounts to determine the probability of various possible outcomes. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

A valuation allowance is provided on deferred tax assets if it is determined that it is "more likely than not" that the deferred tax asset will not be realized.

In the fourth quarter of 2015, we concluded, based upon all available evidence, it was more likely than not we would have sufficient future taxable income to realize the majority of our net deferred tax assets. As a result, we released the majority of the valuation allowance in 2015. We significantly improved our operating performance in 2015, emerged from cumulative losses in recent years to a cumulative profit position and project taxable income in future years.

While we believe the assumptions included in our projections of future taxable income are reasonable, if the actual results vary from expected results due to unforeseen changes in the economy or mortgage industry, or other factors, we may need to make future adjustments to the valuation allowance for all, or a portion, of the net deferred tax assets.

At December 31, 2015, we recorded a partial valuation allowance of \$2.3 million primarily related to state net operating losses, which we do not expect to be able to utilize prior to expiration. At December 31, 2014, we had recorded a full valuation allowance of \$40.1 million against our deferred tax assets.

**Stock-Based Compensation**

The forms of stock-based awards granted to our employees are principally restricted stock units ("RSUs"), restricted stock and stock options. The value of RSU and restricted stock awards is measured at their grant dates as the fair value of common stock and amortized ratably as non-cash compensation expense over the vesting term. The value of stock options issued, as discussed in Note 8—Stock-Based Compensation to the consolidated financial statements included elsewhere in this report, is estimated using a Black-Scholes option pricing model. If an award is modified, we determine if the modification requires a new calculation of fair value or change in the vesting term of the award.

As of December 31, 2015, there was approximately \$8.2 million, \$7.5 million and \$1.0 million of unrecognized compensation cost, net of estimated forfeitures, related to stock options, RSUs and restricted stock, respectively. These costs are expected to be recognized over a weighted-average period of approximately 2.0 years for stock options, 2.0 years for RSUs and 1.0 year for restricted stock.

Recoverability of Long-Lived Assets

We review the carrying value of all long-lived assets, primarily property and equipment, and definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired.

Table of Contents

Impairment is considered to have occurred whenever the carrying value of a long-lived asset cannot be recovered from cash flows that are expected to result from the use and eventual disposition of the asset. This recoverability test requires us to make assumptions and judgments related to factors used in a calculation of undiscounted cash flows, including, but not limited to, management's expectations for future operations and projected cash flows. The key assumptions used in this calculation include Adjusted EBITDA, the remaining useful lives of the primary cash flow generating asset in the asset group and, to a lesser extent, the deduction of capital expenditures and taxes paid in cash to arrive at net cash flows.

During the fourth quarter of 2014, we lost key customers and experienced a decline in revenue for a certain product included within the Education business. Accordingly, in early 2015, we amended our strategic course for this product, resulting in a reduction in anticipated future cash flows. At December 31, 2014, we reviewed the long-lived assets associated with this product for recoverability, resulting in an impairment charge to customer lists and internally developed software of approximately \$0.8 million. The fair value of the long-lived assets was determined using a discounted cash flow model. The impairment charge is included in general and administrative expense on the accompanying consolidated statement of operations and comprehensive income.

The value of long-lived assets subject to assessment for impairment is \$10.3 million at December 31, 2015.

**New Accounting Pronouncements**

See Note 2—Significant Accounting Policies to the consolidated financial statements included elsewhere in this report for a description of recent accounting pronouncements.

**ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk**

Other than our Revolving Credit Facility, which currently has no borrowings outstanding, we do not have any financial instruments that are exposed to significant market risk. We maintain our cash and cash equivalents in short-term, highly liquid money market investments. A hypothetical 100-basis increase or decrease in market interest rates would not have a material impact on the fair value of our cash equivalents securities, or our earnings on such cash equivalents, but would have an effect on the interest paid on borrowings under the Revolving Credit Facility, if any.

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

Table of Contents

ITEM 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

|   | Page<br>Number |
|---|----------------|
| LENDINGTREE, INC. AND SUBSIDIARIES:                                   |                |
| <u>Report of Independent Registered Public Accounting Firm</u>        | <u>37</u>      |
| CONSOLIDATED FINANCIAL STATEMENTS:                                    |                |
| <u>Consolidated Statements of Operations and Comprehensive Income</u> | <u>38</u>      |
| <u>Consolidated Balance Sheets</u>                                    | <u>39</u>      |
| <u>Consolidated Statements of Shareholders' Equity</u>                | <u>40</u>      |
| <u>Consolidated Statements of Cash Flows</u>                          | <u>41</u>      |
| <u>Notes to Consolidated Financial Statements</u>                     | <u>42</u>      |

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of LendingTree, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of LendingTree, Inc. and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Charlotte, North Carolina  
March 1, 2016





Table of ContentsLENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

|  | Year Ended December 31,                  |           |            |
|--|--|-----------|------------|
|  | 2015                                     | 2014      | 2013       |
|  | (in thousands, except per share amounts) |           |            |
| Revenue  | \$254,216                                | \$167,350 | \$139,240  |
| Costs and expenses:  |  |           |            |
| Cost of revenue (exclusive of depreciation shown separately below) | 9,370                                    | 7,903     | 6,542      |
| Selling and marketing expense                                      | 172,849                                  | 112,704   | 91,121     |
| General and administrative expense                                 | 30,030                                   | 25,883    | 24,658     |
| Product development  | 10,485                                   | 7,457     | 5,264      |
| Depreciation   | 3,008                                    | 3,245     | 3,501      |
| Amortization of intangibles  | 149                                      | 136       | 147        |
| Restructuring and severance  | 422                                      | 373       | 159        |
| Litigation settlements and contingencies                           | (611)                                    | ) 10,618  | 8,955      |
| Total costs and expenses   | 225,702                                  | 168,319   | 140,347    |
| Operating income (loss)  | 28,514                                   | (969)     | ) (1,107)  |
| Other income (expense), net:                                       |  |           |            |
| Interest expense   | (171)                                    | ) (2)     | ) (19)     |
| Income (loss) before income taxes                                  | 28,343                                   | (971)     | ) (1,126)  |
| Income tax benefit   | 22,973                                   | 484       | 453        |
| Net income (loss) from continuing operations                       | 51,316                                   | (487)     | ) (673)    |
| Discontinued operations:   |  |           |            |
| Gain from sale of discontinued operations, net of tax              | —  | —         | 9,561      |
| (Loss) income from discontinued operations, net of tax             | (3,269)                                  | ) 9,849   | (4,941)    |
| (Loss) income from discontinued operations                         | (3,269)                                  | ) 9,849   | 4,620      |
| Net income and comprehensive income                                | \$48,047                                 | \$9,362   | \$3,947    |
| Weighted average shares outstanding:                               |  |           |            |
| Basic  | 11,516                                   | 11,188    | 11,035     |
| Diluted  | 12,541                                   | 11,188    | 11,035     |
| Income (loss) per share from continuing operations:                |  |           |            |
| Basic  | \$4.46                                   | \$(0.04)  | ) \$(0.06) |
| Diluted  | \$4.09                                   | \$(0.04)  | ) \$(0.06) |
| (Loss) income per share from discontinued operations:              |  |           |            |
| Basic  | \$(0.28)                                 | ) \$0.88  | \$0.42     |
| Diluted  | \$(0.26)                                 | ) \$0.88  | \$0.42     |
| Net income per share:  |  |           |            |
| Basic  | \$4.17                                   | \$0.84    | \$0.36     |
| Diluted  | \$3.83                                   | \$0.84    | \$0.36     |

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

Table of ContentsLENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

|   | December 31,<br>2015                                  | December 31,<br>2014 |
|---|---|----------------------|
|   | (in thousands, except par value<br>and share amounts) |                      |
| <b>ASSETS:</b>  |   |                      |
| Cash and cash equivalents   | \$206,975   | \$86,212             |
| Restricted cash and cash equivalents  | 6,541   | 18,716               |
| Accounts receivable (net of allowance of \$606 and \$349, respectively)   | 29,873  | 13,611               |
| Prepaid and other current assets  | 2,085   | 931                  |
| Current assets of discontinued operations   | 110   | 189                  |
| Total current assets  | 245,584   | 119,659              |
| Property and equipment, net   | 9,415   | 5,257                |
| Goodwill  | 3,632   | 3,632                |
| Intangible assets, net  | 10,992  | 11,141               |
| Deferred income tax assets  | 20,977  | —                    |
| Other non-current assets  | 1,039   | 102                  |
| Non-current assets of discontinued operations   | 4,142   | 100                  |
| Total assets  | \$295,781   | \$139,891            |
| <b>LIABILITIES:</b>   |   |                      |
| Accounts payable, trade   | \$5,741   | \$1,060              |
| Accrued expenses and other current liabilities  | 34,885  | 25,521               |
| Current liabilities of discontinued operations (Note 16)  | 13,401  | 12,055               |
| Total current liabilities   | 54,027  | 38,636               |
| Other non-current liabilities   | 586   | —                    |
| Deferred income tax liabilities   | —   | 4,738                |
| Non-current liabilities of discontinued operations  | 26  | 151                  |
| Total liabilities   | 54,639  | 43,525               |
| Commitments and contingencies (Notes 11 and 12)   |   |                      |
| <b>SHAREHOLDERS' EQUITY:</b>  |   |                      |
| Preferred stock \$.01 par value; 5,000,000 shares authorized; none issued or outstanding  | —   | —                    |
| Common stock \$.01 par value; 50,000,000 shares authorized; 13,865,620 and 12,854,517 shares issued, respectively, and 12,392,093 and 11,386,240 shares outstanding, respectively | 139   | 129                  |
| Additional paid-in capital  | 1,006,688   | 909,751              |
| Accumulated deficit   | (750,124  | ) (798,171 )         |
| Treasury stock 1,473,527 and 1,468,277 shares, respectively   | (15,561   | ) (15,343 )          |
| Total shareholders' equity  | 241,142   | 96,366               |
| Total liabilities and shareholders' equity  | \$295,781   | \$139,891            |

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

Table of ContentsLENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

|  | Total          | Common Stock<br>Number<br>of<br>Shares | Common Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Treasury Stock<br>Number<br>of Shares | Treasury Stock<br>Amount |
|--|----------------|--|------------------------|----------------------------------|------------------------|---------------------------------------|--------------------------|
|  | (in thousands) |  |                        |                                  |                        |                                       |                          |
| Balance as of December 31, 2012  | \$82,922       | 12,195                                 | \$122                  | \$903,692                        | \$(811,480 )           | 1,188                                 | \$(9,412 )               |
| Net income and comprehensive income  | 3,947          | —                                      | —                      | —                                | 3,947                  | —                                     | —                        |
| Non-cash compensation  | 5,629          | —                                      | —                      | 5,629                            | —                      | —                                     | —                        |
| Purchase of treasury stock   | (3,321 )       | —                                      | —                      | —                                | —                      | 181                                   | (3,321 )                 |
| Dividends  | 637            | —                                      | —                      | 637                              | —                      | —                                     | —                        |
| Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes | (2,806 )       | 425                                    | 4                      | (2,810 )                         | —                      | —                                     | —                        |
| Balance as of December 31, 2013  | \$87,008       | 12,620                                 | \$126                  | \$907,148                        | \$(807,533 )           | 1,369                                 | \$(12,733 )              |
| Net income and comprehensive income  | 9,362          | —                                      | —                      | —                                | 9,362                  | —                                     | —                        |
| Non-cash compensation  | 7,446          | —                                      | —                      | 7,446                            | —                      | —                                     | —                        |
| Purchase of treasury stock   | (2,610 )       | —                                      | —                      | —                                | —                      | 99                                    | (2,610 )                 |
| Dividends  | (28 )          | —                                      | —                      | (28 )                            | —                      | —                                     | —                        |
| Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes | (4,812 )       | 235                                    | 3                      | (4,815 )                         | —                      | —                                     | —                        |
| Balance as of December 31, 2014  | \$96,366       | 12,855                                 | \$129                  | \$909,751                        | \$(798,171 )           | 1,468                                 | \$(15,343 )              |
| Net income and comprehensive income  | 48,047         | —                                      | —                      | —                                | 48,047                 | —                                     | —                        |
| Non-cash compensation  | 8,508          | —                                      | —                      | 8,508                            | —                      | —                                     | —                        |
| Purchase of treasury stock   | (218 )         | —                                      | —                      | —                                | —                      | 6                                     | (218 )                   |
| Dividends  | (11 )          | —                                      | —                      | (11 )                            | —                      | —                                     | —                        |
| Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes | (7,613 )       | 158                                    | 1                      | (7,614 )                         | —                      | —                                     | —                        |
| Tax benefit from stock-based award activity  | 4,601          | —                                      | —                      | 4,601                            | —                      | —                                     | —                        |
| Proceeds from equity offering, net of offering costs   | 91,462         | 853                                    | 9                      | 91,453                           | —                      | —                                     | —                        |
| Balance as of December 31, 2015  | \$241,142      | 13,866                                 | \$139                  | \$1,006,688                      | \$(750,124 )           | 1,474                                 | \$(15,561 )              |

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

40

---

Table of ContentsLENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Year Ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2015                    | 2014     | 2013     |
|   | (in thousands)          |          |          |
| Cash flows from operating activities attributable to continuing operations:   |                         |          |          |
| Net income and comprehensive income   | \$48,047                | \$9,362  | \$3,947  |
| Less: Loss (income) from discontinued operations, net of tax  | 3,269                   | (9,849)  | (4,620)  |
| Income (loss) from continuing operations  | 51,316                  | (487)    | (673)    |
| Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities attributable to continuing operations: |                         |          |          |
| Loss on disposal of fixed assets  | 748                     | 282      | 165      |
| Impairment of long-lived assets   | —                       | 805      | —        |
| Amortization of intangibles   | 149                     | 136      | 147      |
| Depreciation  | 3,008                   | 3,245    | 3,501    |
| Non-cash compensation expense   | 8,508                   | 7,446    | 5,627    |
| Deferred income taxes   | (29,969)                | )106     | 64       |
| Excess tax benefit from stock-based award activity  | (4,601)                 | )—       | —        |
| Bad debt expense  | 337                     | 206      | 248      |
| Amortization of debt issuance costs   | 47                      | —        | —        |
| Changes in current assets and liabilities:  |                         |          |          |
| Accounts receivable   | (16,598)                | )(1,228) | )(3,614) |
| Prepaid and other current assets  | (874)                   | )(84)    | )(170)   |
| Accounts payable, accrued expenses and other current liabilities  | 13,689                  | (1,935)  | )6,157   |
| Income taxes payable  | 6,247                   | 740      | (610)    |
| Other, net  | 577                     | (157)    | )(604)   |
| Net cash provided by operating activities attributable to continuing operations   | 32,584                  | 9,075    | 10,238   |
| Cash flows from investing activities attributable to continuing operations:   |                         |          |          |
| Capital expenditures  | (7,237)                 | )(3,856) | )(2,750) |
| Acquisition of a business   | (37)                    | )(740)   | )—       |
| Decrease in restricted cash   | 12,175                  | 7,300    | 3,397    |
| Net cash provided by investing activities attributable to continuing operations   | 4,901                   | 2,704    | 647      |
| Cash flows from financing activities attributable to continuing operations:   |                         |          |          |
| Payments related to net-share settlement of stock -based compensation, net of proceeds from exercise of stock options                                 | (7,612)                 | )(4,812) | )(2,806) |
| Proceeds from equity offering, net of offering costs  | 91,484                  | —        | —        |
| Payment of debt issuance costs  | (1,215)                 | )—       | —        |
| Excess tax benefit from stock-based award activity  | 4,601                   | —        | —        |
| Purchase of treasury stock  | (218)                   | )(2,610) | )(3,321) |
| Dividends   | (131)                   | )(229)   | )144     |
| Net cash provided by (used in) financing activities attributable to continuing operations   | 86,909                  | (7,651)  | )(5,983) |
| Total cash provided by continuing operations  | 124,394                 | 4,128    | 4,902    |
| Discontinued operations:  |                         |          |          |
| Net cash used in operating activities attributable to discontinued operations   | (3,631)                 | )(9,583) | )(3,425) |
| Net cash provided by investing activities attributable to discontinued operations   | —                       | —        | 10,000   |
| Total cash (used in) provided by discontinued operations  | (3,631)                 | )(9,583) | )6,575   |
| Net increase (decrease) in cash and cash equivalents  | 120,763                 | (5,455)  | )11,477  |

Edgar Filing: LendingTree, Inc. - Form 10-K

|  |           |          |          |
|--|-----------|----------|----------|
| Cash and cash equivalents at beginning of period | 86,212    | 91,667   | 80,190   |
| Cash and cash equivalents at end of period       | \$206,975 | \$86,212 | \$91,667 |
| Supplemental cash flow information:              |           |          |          |
| Interest paid                                    | \$60      | \$2      | \$19     |
| Income tax payments                              | 703       | 3        | 654      |
| Income tax refunds                               | (96       | )(779    | )(4 )    |

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

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

Company Overview

LendingTree, Inc. ("LendingTree" or the "Company"), formerly known as Tree.com, Inc., is the parent of LendingTree, LLC and several companies owned by LendingTree, LLC.

LendingTree operates what it believes to be the leading online marketplace for consumers seeking a broad array of loan types and other credit-based offerings. The Company offers consumers tools and resources, including free credit scores, that help them to comparison-shop for mortgage loans, home equity, reverse mortgage, auto loans, credit cards, personal loans, student loans and small business loans and other related offerings. The Company primarily seeks to match in-market consumers with multiple lenders on its marketplace who can provide them with competing quotes for the loans or credit-based offerings they are seeking. The Company also serves as a valued partner to lenders seeking an efficient, scalable and flexible source of customer acquisition with directly measurable benefits, by matching the consumer loan inquiries it generates with these lenders.

The consolidated financial statements include the accounts of LendingTree and all its wholly-owned entities.

Intercompany transactions and accounts have been eliminated.

Certain amounts from the prior consolidated financial statements have been reclassified to conform to the presentation adopted in the current year.

Spin-Off

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

Discontinued Operations

The businesses of RealEstate.com, REALTORS® (which represent the former Real Estate segment) and LendingTree Loans are presented as discontinued operations in the accompanying consolidated balance sheets, consolidated statements of operations and comprehensive income and consolidated cash flows for all periods presented. The notes accompanying these consolidated financial statements reflect the Company's continuing operations and, unless otherwise noted, exclude information related to the discontinued operations. See Note 16 —Discontinued Operations for additional information.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company derives its revenue primarily from match fees, which are earned through the delivery of qualified request forms that originated through one of its websites or affiliates. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured. Delivery is deemed to have occurred at the time a qualified request form is delivered to the customer, provided that no significant obligations remain.

The Company also derives revenues from lenders for closing fees on certain auto, business and personal loan products and student loans when a transaction is closed with the consumer. Closed loan fees and closed sale fees are recognized at the time the lender reports the closed loan or closed sale to the Company, which could be several months after the original request form is transmitted. For the Company's credit card product, the Company sends traffic to issuers and is paid per card approval.





LENDINGTREE, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid money market investments with original maturities of three months or less.

Restricted Cash

Cash escrowed or contractually restricted for a specific purpose is designated as restricted cash.

Accounts Receivable

Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the specific customer's current ability to pay its obligation. Accounts receivable are considered past due when they are outstanding longer than the contractual payment terms. Accounts receivable are written off when management deems them uncollectible.

A reconciliation of the beginning and ending balances of the allowance for doubtful accounts is as follows (in thousands):

|  | Year Ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2015                    | 2014   | 2013   |
| Balance, beginning of the period               | \$349                   | \$408  | \$503  |
| Charges to earnings                            | 337                     | 206    | 248    |
| Write-off of uncollectible accounts receivable | (80                     | ) (265 | ) (343 |
| Balance, end of the period                     | \$606                   | \$349  | \$408  |

Loan Loss Obligations (Discontinued Operations)

The Company's Home Loan Center, Inc. ("HLC") subsidiary, which during its period of active operation primarily conducted business as LendingTree Loans, sold loans it originated to investors on a servicing-released basis and the risk of loss or default by the borrower was generally transferred to the investor. However, LendingTree Loans was required by these investors to make certain representations relating to credit information, loan documentation and collateral. To the extent LendingTree Loans did not comply with such representations or there are early payment defaults, LendingTree Loans may be required to repurchase loans or indemnify the investors for any losses from borrower defaults. LendingTree Loans maintains a liability for the estimated exposure relating to such contingent obligations and changes to the estimate are recorded in income from discontinued operations in the periods they occur. The Company estimates the liability for loan losses using a settlement discount framework. This approach estimates the lifetime losses on the population of remaining loans originated and sold by LendingTree Loans using actual defaults for loans with similar characteristics and projected future defaults. It also considers the likelihood of claims expected due to alleged breaches of representations and warranties made by LendingTree Loans and the percentage of those claims investors estimate LendingTree Loans may agree to repurchase. The Company then applies a settlement discount factor to the result of the foregoing to reflect publicly announced bulk settlements for similar loan types and vintages, the Company's own settlement experience, as well as LendingTree Loans' non-operating status, in order to estimate a range of potential liability. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material impact on the Company's results of operations for any particular period. See Note 16—Discontinued Operations—LendingTree Loans—Loan Loss Obligations for additional information on the loan loss reserve.

Segment Reporting

During the first quarter of 2015, management made certain changes to its organizational structure that impacted its previous operating segments. As a result, management concluded it had one reportable segment representing its Lending activities. Previously reported results for the years ended 2014 and 2013 have been revised to conform to its single reportable segment at December 31, 2015.



LENDINGTREE, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment, including internally-developed software and significant improvements, are recorded at cost less accumulated depreciation. Due to the rapid advancements in technology and evolution of company products, all internally-developed software is written-off at the end of its useful life. Repairs and maintenance and any gains or losses on dispositions are recognized as incurred in current operations.

Depreciation is recorded on a straight-line basis to allocate the cost of depreciable assets to operations over their estimated service lives. The following table presents the estimated useful lives for each asset category:

| Asset Category                              | Estimated Useful Lives                |
|---|---------------------------------------|
| Computer equipment and capitalized software | 1 to 5 years                          |
| Leasehold improvements                      | Lesser of asset life or life of lease |
| Furniture and other equipment               | 3 to 7 years                          |

Software Development Costs

Software development costs primarily include internal and external labor expenses incurred to develop the software that powers the Company's websites. Certain costs incurred during the application development stage are capitalized based on specific activities tracked, while costs incurred during the preliminary project stage and post-implementation/operation stage are expensed as incurred. Capitalized software development costs are amortized over an estimated useful life of one to three years.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill acquired in business combinations is assigned to the reporting units that are expected to benefit from the combination as of the acquisition date. Goodwill and indefinite-lived intangible assets, primarily the Company's trade names and trademarks, are not amortized. Rather, these assets are tested annually for impairment as of October 1, or more frequently upon the occurrence of certain events or substantive changes in circumstances.

As part of its annual impairment testing of goodwill and indefinite-lived intangible assets, in each instance, the Company may elect to assess qualitative factors as a basis for determining whether it is necessary to perform the traditional quantitative impairment testing. If the Company's assessment of these qualitative factors indicates that it is not more likely than not that the fair value of the reporting unit or indefinite-lived intangible asset is less than its carrying value, then no further testing is required. Otherwise, the goodwill reporting unit or long-lived intangible assets, as applicable, must be quantitatively tested for impairment.

The quantitative test for goodwill impairment is determined using a two-step process. The first step is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of its reporting units by using a market approach and a discounted cash flow ("DCF") analysis. Determining fair value using a DCF analysis requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the amount and timing of expected future cash flows. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not required. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The quantitative impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the indefinite-lived intangible asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of

fair value of indefinite-lived intangible assets are determined using a DCF valuation analysis that employs a relief-from-royalty methodology in estimating the fair value of trade names and trademarks. Significant judgments inherent in this analysis include the determination of royalty rates, discount rates, perpetual growth rates and the amount and timing of future revenues.

For the October 1, 2015 annual impairment tests of goodwill and indefinite-lived intangible assets, the Company elected to perform qualitative assessments as a precursor to the traditional quantitative tests. Results of the October 1, 2015 annual impairment tests indicated that it is not more likely than not that the fair value of the goodwill and the indefinite-lived intangible assets were each less than their respective carrying values. Accordingly, no further testing was required.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the October 1, 2014 annual impairment test of goodwill, the fair value was estimated using a DCF analysis and a market comparable method, with each method being equally weighted in the calculation. Results of the October 1, 2014 annual impairment test for goodwill and the indefinite-lived intangible assets indicated that no impairments had occurred.

Long-Lived Assets and Intangible Assets with Definite Lives

Long-lived assets include property and equipment and intangible assets with definite lives. Amortization of definite-lived intangible assets is recorded on a straight-line basis over their estimated lives.

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying amount is deemed to not be recoverable, an impairment loss is recorded as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

At December 31, 2015, the Company performed its annual review of impairment triggering events for long-lived assets and determined that a triggering event had not occurred.

During the fourth quarter of 2014, the Company lost key customers and experienced a decline in revenue for a certain product included within the Education business. Accordingly, in early 2015, the Company amended its strategic course for this product, resulting in a reduction in anticipated future cash flows. At December 31, 2014, the Company reviewed the long-lived assets associated with this product for recoverability, resulting in an impairment charge to customer lists and internally developed software of approximately \$0.8 million. The fair value of the long-lived assets was determined using a discounted cash flow model. The impairment charge is included in general and administrative expense on the accompanying consolidated statement of operations and comprehensive income.

Fair Value Measurements

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

Level 1: Observable inputs, such as quoted prices for identical assets and liabilities in active markets obtained from independent sources.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions, based on the best information available under the circumstances, about the assumptions market participants would use in pricing the asset or liability.

The Company's non-financial assets, such as goodwill, intangible assets and property and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized. Such fair value measurements are based predominantly on Level 3 inputs. As of December 31, 2015 and 2014, the carrying value of all of the Company's financial instruments are equal to the fair value.

Cost of Revenue

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

Product Development

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



LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advertising

Advertising costs are expensed in the period incurred (except for production costs which are initially capitalized and then recognized as expense when the advertisement first runs) and principally represent offline costs, including television, print and radio advertising, and online advertising costs, including fees paid to search engines and distribution partners. Advertising expense was \$159.2 million, \$102.2 million and \$80.7 million for the years ended December 31, 2015, 2014 and 2013, respectively, and is included in selling and marketing expense on the consolidated statements of operations and comprehensive income.

Income Taxes

Income taxes are accounted for under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In estimating future tax consequences, all expected future events are considered. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. Interest is recorded on potential tax contingencies as a component of income tax expense and recorded net of any applicable related income tax benefit. For the year ended December 31, 2015, the Company followed the incremental or "with" and "without" approach to intraperiod tax allocation for determination of the amount of tax benefit to allocate to continuing operations as prescribed in ASC 740-20-45-7 with the exception of the allocation of the release of the valuation allowance for deferred tax assets which is governed by ASC 740-10-45-20. During 2014 and 2013, the Company reported losses from continuing operations and income from discontinued operations. As a result, the Company followed the accounting guidance prescribed in ASC 740-20-45-7, which provides an exception to the "with" and "without" approach to intraperiod tax allocation for determination of the amount of tax benefit to allocate to continuing operations in such circumstances.

In accordance with the accounting standard for uncertainty in income taxes, liabilities for uncertain tax positions are recognized based on the two-step process prescribed by the accounting standards. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

The Company uses the tax law ordering approach to determine the potential utilization of windfall benefits. These tax benefits are credited to additional paid-in capital when they reduce current taxable income consistent with the tax law ordering approach.

Stock-Based Compensation

The forms of stock-based awards granted to LendingTree employees are principally restricted stock units ("RSUs"), stock options and restricted stock. RSUs are awards in the form of units, denominated in a hypothetical equivalent number of shares of LendingTree common stock and with the value of each award equal to the fair value of LendingTree common stock at the date of grant. RSUs may be settled in cash, stock or both, as determined by the Company's Compensation Committee at the time of grant. The Company does not have a history of settling these awards in cash. Each stock-based award is subject to service-based vesting, where a specific period of continued employment must pass before an award vests. The Compensation Committee can modify the vesting provisions of an award. Certain restricted stock awards also include performance-based vesting, where certain performance targets set at the time of grant must be achieved before an award vests.

LendingTree recognizes as expense non-cash compensation for all stock-based awards for which vesting is considered probable. The amount of non-cash compensation is reduced by estimated forfeitures, as the amount recorded to the

consolidated statement of operations and comprehensive income is based on awards ultimately expected to vest. The forfeiture rate is estimated at the grant date, based on historical experience and revised, if necessary, in subsequent periods if the actual forfeiture rate differs from the estimated rate.

For service-based awards, non-cash compensation is measured at fair value on the grant date and expensed ratably over the vesting term. The fair value of each stock option award is estimated using the Black-Scholes option pricing model, while the fair value of an RSU or restricted stock award is measured as the closing common stock price at the time of grant. For certain performance-based awards, the fair value is measured on the grant date as the fair value of the Company's common stock awarded and recognized as non-cash compensation, using a graded vesting attribution model that considers the probability of the targets being achieved.

Tax benefits resulting from tax deductions in excess of the non-cash compensation recognized in the consolidated statement of operations and comprehensive income are reported as a component of financing cash flows. In 2015, \$4.6 million of tax benefits in excess of non-cash compensation recognized in the consolidated statement of shareholders' equity is reported as a component



LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of financing cash flows. In 2014 and 2013, while there were excess tax benefits from non-cash compensation, the tax benefits are not reflected in the consolidated statement of shareholders' equity because the Company did not recognize a current tax benefit.

**Litigation Settlements and Contingencies**

Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements, in addition to legal fees incurred in connection with various patent litigation claims the Company pursues against others. The Company is involved in legal proceedings on an ongoing basis. If the Company believes that a loss arising from such matters is probable and can be reasonably estimated, the estimated liability is accrued in the consolidated financial statements. If only a range of estimated losses can be determined, an amount within the range is accrued that, in the Company's judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, the low end of the range is accrued. For those proceedings in which an unfavorable outcome is reasonably possible but not probable, an estimate of the reasonably possible loss or range of losses or a conclusion that an estimate of the reasonably possible loss or range of losses arising directly from the proceeding (i.e., monetary damages or amounts paid in judgment or settlement) are not material is disclosed. Legal expenses associated with these matters are recognized as incurred.

**Accounting Estimates**

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

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

**Certain Risks and Concentrations**

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

Financial instruments, which potentially subject the Company to concentration of credit risk at December 31, 2015, consist primarily of cash and cash equivalents and accounts receivable, as disclosed in the consolidated balance sheet. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation insurance limits, but are maintained with quality financial institutions of high credit. The Company generally requires certain network lenders to maintain security deposits with the Company, which in the event of non-payment, would be applied against any accounts receivable outstanding.

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

For the years ended December 31, 2015, 2014 and 2013, one marketplace lender accounted for revenue representing 12%, 13% and 12% of total revenue, respectively, and another marketplace lender accounted for 11%, 11% and 12% of total revenue, respectively.

Lenders participating on the Company's marketplace can offer their products directly to consumers through brokers, mass marketing campaigns or through other traditional methods of credit distribution. These lenders can also offer their products online, either directly to prospective borrowers, through one or more online competitors, or both. If a significant number of potential consumers are able to obtain loans from participating lenders without utilizing the

Company's service, its ability to generate revenue may be limited. Because the Company does not have exclusive relationships with the lenders whose loan offerings are offered on its online marketplace, consumers may obtain offers and loans from these lenders without using its service.

The Company maintains operations solely in the United States.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17 related to balance sheet classification of deferred tax assets and liabilities. This ASU requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption permitted. The guidance may be applied either prospectively, for all deferred tax assets and liabilities, or retrospectively. The Company early adopted this ASU on a prospective basis, therefore, prior periods were not retrospectively adjusted. See Note 9—Income Taxes for the impact of this ASU.

In April 2015, the FASB issued ASU 2015-05 related to cloud computing arrangements. This ASU sets forth guidance on accounting for fees paid in a cloud computing arrangement and specifically outlines how to determine whether a cloud computing arrangement contains a software license or is solely a service contract. This ASU was effective for annual and interim reporting periods beginning after December 15, 2015 and permits early adoption. The Company early adopted this ASU and it did not have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 related to the simplification of the presentation of debt issuance costs. This ASU was intended to simplify the presentation of debt issuance costs, by requiring debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from that debt liability. Given the lack of clear guidance related to accounting for debt issuance costs associated with line-of-credit arrangements, in August 2015, the FASB issued ASU 2015-15, which provided clarification in that the SEC would not object to an entity presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are borrowings on the line-of-credit arrangement. These ASUs are effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted. These ASUs must be applied retrospectively. The Company early adopted these ASUs and they did not have a significant impact on its consolidated financial statements. See Note 10—Revolving Credit Facility for additional information on the disclosure of the debt issuance costs.

In May 2014, the FASB issued ASU 2014-09 related to revenue recognition. This ASU was initiated as a joint project between the FASB and International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and international financial reporting standards ("IFRS"). This guidance will supersede the existing revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition and was set to be effective for annual reporting periods beginning after December 15, 2016. However, in July 2015, the FASB deferred the effective date by one year, such that the standard will be effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date of December 15, 2016. The ASU can be applied (i) retrospectively to each prior period presented or (ii) retrospectively with the cumulative effect of initially adopting the ASU recognized at the date of initial application. The Company is evaluating the impact this ASU will have on its consolidated financial statements and whether to early adopt.

NOTE 3—RESTRICTED CASH

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

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Cash in escrow for surety bonds <sup>(a)</sup>               | \$2,453              | \$2,453              |
| Cash in escrow for corporate purchasing card program         | —                    | 100                  |
| Cash in escrow from sale of LendingTree Loans <sup>(b)</sup> | 4,028                | 16,106               |
| Other  | 60                   | 57                   |
| Total restricted cash and cash equivalents                   | \$6,541              | \$18,716             |

- (a) See Note 11—Commitments for a discussion of surety bonds. In February 2016, all funds were released from restriction due to a reduction in collateral requirements.
- HLC, a subsidiary of the Company, continues to be liable for certain indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of its
- (b) LendingTree Loans business in the second quarter of 2012. As a result of a settlement agreement in 2014 with a secondary market purchaser of loans, \$12.1 million of cash held in escrow was released in December 2015.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 4—PROPERTY AND EQUIPMENT

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

|   | December 31,<br>2015 | December 31,<br>2014 |
|---|----------------------|----------------------|
| Computer equipment and capitalized software | \$10,192             | \$16,080             |
| Leasehold improvements                      | 2,096                | 2,096                |
| Furniture and other equipment               | 455                  | 1,030                |
| Projects in progress                        | 3,612                | 861                  |
| Total gross property and equipment          | 16,355               | 20,067               |
| Accumulated depreciation                    | (6,940               | ) (14,810            |
| Total property and equipment, net           | \$9,415              | \$5,257              |

Unamortized capitalized software development costs, in service or under development, are \$8.0 million and \$4.5 million at December 31, 2015 and 2014, respectively. Capitalized software development depreciation expense was \$2.6 million, \$2.8 million and \$3.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. During 2014, the Company recorded an impairment charge in its Education business of approximately \$0.4 million to internally developed software. See Note 2—Significant Accounting Policies for a discussion of the impairment.

## NOTE 5—GOODWILL AND INTANGIBLE ASSETS

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

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Goodwill                                   | \$486,720            | \$486,720            |
| Accumulated impairment losses              | (483,088             | ) (483,088           |
| Net goodwill                               | \$3,632              | \$3,632              |
| Intangible assets with indefinite lives    | \$10,142             | \$10,142             |
| Intangible assets with definite lives, net | 850                  | 999                  |
| Total intangible assets, net               | \$10,992             | \$11,141             |

## Goodwill and Indefinite-Lived Intangible Assets

The Company's goodwill is associated with its one reportable segment, lending. There were no changes in the carrying amount of goodwill during the years ended December 31, 2015 and 2014. Results of the annual impairment test as of October 1, 2015 indicated that no impairment had occurred.

Intangible assets with indefinite lives relate to the Company's trademarks. Results of the annual impairment test as of October 1, 2015 indicated that no impairment had occurred.

## Intangible Assets with Definite Lives

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

|                              | Weighted<br>Average<br>Amortization<br>Life | Cost    | Accumulated<br>Amortization | Net     |
|------------------------------|---|---------|-----------------------------|---------|
| Customer lists               | 10.0 years                                  | \$1,000 | \$(150                      | ) \$850 |
| Other                        | 2.2 years                                   | 1,087   | (1,087                      | ) —     |
| Balance at December 31, 2015 |   | \$2,087 | \$(1,237                    | ) \$850 |



LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

|                              | Weighted<br>Average<br>Amortization<br>Life | Cost    | Accumulated<br>Amortization | Net   |
|------------------------------|---|---------|-----------------------------|-------|
| Customer lists               | 10.0 years                                  | \$1,049 | \$(50 )                     | \$999 |
| Other                        | 2.2 years                                   | 1,087   | (1,087 )                    | —     |
| Balance at December 31, 2014 |   | \$2,136 | \$(1,137 )                  | \$999 |

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on balances as of December 31, 2015, future amortization is estimated to be as follows (in thousands):

|  | Amortization<br>Expense |
|--|-------------------------|
| Year ending December 31, 2016                    | \$100                   |
| Year ending December 31, 2017                    | 100                     |
| Year ending December 31, 2018                    | 100                     |
| Year ending December 31, 2019                    | 100                     |
| Year ending December 31, 2020                    | 100                     |
| Thereafter                                       | 350                     |
| Total intangible assets with definite lives, net | \$850                   |

On June 30, 2014, the Company acquired certain intangible assets to be used in its home services business for \$0.6 million paid on the acquisition date, plus contingent consideration of \$0 to \$0.8 million. During the fourth quarter of 2014, the Company finalized the purchase price of \$1.0 million, which included an estimated contingent consideration of \$0.4 million. The entire purchase price was allocated to the customer lists acquired, which is being amortized on a straight-line basis over a useful life of 10 years. Additionally, during the nine months following the acquisition, performance against the conditions of the earn-out reduced the total contingent consideration to \$0.2 million, which was fully paid as of December 31, 2015.

During 2014, the Company recorded an impairment charge in its Education business of approximately \$0.4 million to customer lists. See Note 2—Significant Accounting Policies for a discussion of the impairment.

**NOTE 6—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

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

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Accrued litigation liabilities                       | \$636                | \$2,786              |
| Accrued advertising expense                          | 20,841               | 11,170               |
| Accrued compensation and benefits                    | 4,464                | 2,666                |
| Accrued professional fees                            | 711                  | 337                  |
| Customer deposits and escrows                        | 4,471                | 4,560                |
| Other  | 3,762                | 4,002                |
| Total accrued expenses and other current liabilities | \$34,885             | \$25,521             |

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7—SHAREHOLDERS' EQUITY

Basic and diluted income (loss) per share was determined based on the following share data (in thousands):

|  | Year Ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2015                    | 2014   | 2013   |
| Weighted average basic common shares   | 11,516                  | 11,188 | 11,035 |
| Effect of stock options                | 866                     | —      | —      |
| Effect of dilutive share awards        | 159                     | —      | —      |
| Weighted average diluted common shares | 12,541                  | 11,188 | 11,035 |

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

See Note 8—Stock-Based Compensation for a full description of outstanding equity awards.

Common Stock Repurchases

In January 2010, the board of directors authorized and the Company announced the repurchase of up to \$10.0 million of LendingTree's common stock. In May 2014, the board of directors authorized and the Company announced the repurchase of up to an additional \$10.0 million of LendingTree's common stock. During the years ended December 31, 2015, 2014 and 2013, the Company purchased 5,250, 99,345 and 180,453 shares, respectively, of its common stock for aggregate consideration of \$0.2 million, \$2.6 million and \$3.3 million, respectively. At December 31, 2015, approximately \$7.3 million remains authorized for share repurchase.

See Note 19—Subsequent Events for additional information about the repurchase of the Company's common stock.

Equity Offering

In November 2015, the Company completed an equity offering of 852,500 shares of its common stock. The common stock was issued at a price of \$115.00 per share. The Company received net proceeds of \$91.5 million, after deducting approximately \$5.9 million in underwriting discounts and \$0.7 million in offering expenses. The Company expects to use the net proceeds of the offering for general corporate purposes, including but not limited to, working capital and potential acquisitions.

NOTE 8—STOCK-BASED COMPENSATION

The Company currently has one active plan, the Fourth Amended and Restated LendingTree 2008 Stock and Annual Incentive Plan (the "Equity Award Plan"), under which future awards may be granted, which currently covers outstanding stock options to acquire shares of the Company's common stock, restricted stock and RSUs, and provides for the future grants of these and other equity awards. Under the Equity Award Plan, the Company is authorized to grant stock options, restricted stock, RSUs and other equity-based awards for up to 4.35 million shares of LendingTree common stock to employees, non-employee consultants, officers and directors. This Equity Award Plan also governs certain equity awards of IAC that were converted into equity awards of LendingTree in connection with the spin-off.

The Equity Award Plan has a stated term of ten years and provides that the exercise price of stock options granted will not be less than the market price of the common stock on the grant date. The Equity Award Plan itself does not specify grant dates or vesting schedules, as those determinations are delegated to the Compensation Committee of the board of directors. Each grant agreement reflects the vesting schedule for that particular grant, as determined by the Compensation Committee. The Compensation Committee has the authority to modify the vesting provisions of an award.





LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

|                                    | Year Ended December 31, |         |         |
|------------------------------------|-------------------------|---------|---------|
|                                    | 2015                    | 2014    | 2013    |
| Cost of revenue                    | \$95                    | \$32    | \$13    |
| Selling and marketing expense      | 1,597                   | 901     | 931     |
| General and administrative expense | 5,120                   | 5,148   | 3,841   |
| Product development                | 1,558                   | 1,196   | 842     |
| Restructuring and severance        | 138                     | 169     | —       |
| Total non-cash compensation        | \$8,508                 | \$7,446 | \$5,627 |

For the year ended December 31, 2015, the Company recognized \$3.0 million of income tax benefit related to non-cash compensation. For the years ended December 31, 2014 and 2013, the Company recognized no income tax benefit related to non-cash compensation due to its net operating losses and valuation allowance. As of December 31, 2015, there was approximately \$8.2 million, \$7.5 million and \$1.0 million of unrecognized compensation cost, net of estimated forfeitures, related to stock options, RSUs and restricted stock, respectively. These costs are expected to be recognized over a weighted-average period of approximately 2.0 years for stock options, 2.0 years for RSUs and 1.0 year for restricted stock.

#### Stock Options

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

|                                  | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br><br>(per option) | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br><br>(in years) | Aggregate<br>Intrinsic<br>Value <sup>(a)</sup><br><br>(in thousands) |
|----------------------------------|----------------------|--|---|--|
| Outstanding at December 31, 2014 | 2,136,679            | \$18.16  |   |  |
| Granted                          | 46,406               | 68.62  |   |  |
| Exercised                        | (136,125)            | 17.61  |   |  |
| Forfeited                        | (127,439)            | 26.84  |   |  |
| Expired                          | (1,339)              | 7.88   |   |  |
| Outstanding at December 31, 2015 | 1,918,182            | \$18.85  | 5.92  | \$135,324  |
| Options exercisable              | 932,941              | \$8.51   | 3.44  | \$75,350   |

The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price of \$89.28 on the last trading day of 2015 and the exercise price, multiplied by the number of (a) shares covered by in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2015. The intrinsic value changes based on the market value of the Company's common stock.

Upon exercise, the intrinsic value represents the pre-tax difference between the Company's closing stock price on the exercise date and the exercise price, multiplied by the number of stock options exercised. During the years ended December 31, 2015, 2014 and 2013, the total intrinsic value of stock options that were exercised was \$5.9 million, \$0.2 million and \$0.4 million, respectively. Cash received from stock option exercises and the related actual tax benefit realized were \$2.4 million and \$0.3 million, respectively, for the year ended December 31, 2015.

During the years ended December 31, 2015 and 2014, the Company granted stock options with a weighted average grant date fair value per share of \$27.60 and \$11.22, respectively, of which the vesting periods include (a) three years

from the grant date, (b) 25% and 75% over a period of 2.5 years and 3.5 years, respectively, (c) 25% and 75% over a period of 1.67 years and 2.67 years, respectively, (d) six months from the grant date, (e) one year from the grant date and (f) two years from the grant date.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For purposes of determining stock-based compensation expense, the weighted average grant date fair value per share of the stock options was estimated using the Black-Scholes option pricing model, which requires the use of various key assumptions. The weighted average assumptions used are as follows:

|  | Year Ended December 31, |                   |
|--|-------------------------|-------------------|
|  | 2015                    | 2014              |
| Expected term <sup>(1)</sup>           | 5.21 - 6.23 years       | 5.75 - 6.63 years |
| Expected dividend <sup>(2)</sup>       | —                       | —                 |
| Expected volatility <sup>(3)</sup>     | 38% - 48%               | 36% - 64%         |
| Risk-free interest rate <sup>(4)</sup> | 1.65% - 2.01%           | 1.81% - 2.13%     |

The expected term of stock options granted was calculated using the 'Simplified Method', which utilizes the (1) midpoint between the weighted average time of vesting and the end of the contractual term. This method was utilized for the stock options due to a lack of historical exercise behavior by the Company's employees.

(2) For all stock options granted during the years ended December 31, 2015 and 2014, no dividends are expected to be paid over the contractual term of the stock options, resulting in a zero expected dividend rate.

(3) The expected volatility rate is based on the historical volatility of the Company's common stock or a blended rate which includes the historical volatility of the Company's common stock and that of a peer group.

(4) The risk-free interest rate is specific to the date of grant. The risk-free interest rate is based on U.S. Treasury yields for notes with comparable expected terms as the awards, in effect at the grant date.

As of December 31, 2015, the non-vested options are expected to vest over a weighted-average period of approximately 2.0 years. During the years ended December 31, 2015, 2014 and 2013, the total fair value of options vested was \$0.8 million, \$0.4 million and \$3.2 million, respectively.

#### Restricted Stock Units

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

|                                | RSUs            |   |
|--------------------------------|-----------------|---|
|                                | Number of Units | Weighted Average Grant Date Fair Value (per unit) |
| Nonvested at December 31, 2014 | 351,801         | \$22.83   |
| Granted <sup>(a)</sup>         | 101,955         | 69.35   |
| Vested                         | (187,052)       | ) 20.83   |
| Forfeited                      | (29,327)        | ) 32.92   |
| Nonvested at December 31, 2015 | 237,377         | \$43.13   |

(a) The grant date fair value per share of the RSUs is calculated as the closing market price of LendingTree's common stock at the time of the grant.

The total fair value of RSUs that vested during the years ended December 31, 2015, 2014 and 2013 was \$11.0 million, \$11.0 million and \$7.5 million, respectively.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock

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

|                                | Restricted Stock |  |
|--------------------------------|------------------|--|
|                                | Number of Shares | Weighted Average Grant Date Fair Value (per share) |
| Nonvested at December 31, 2014 | 123,057          | \$23.41  |
| Granted <sup>(a)</sup>         | —                | —  |
| Vested                         | (54,295 )        | 23.18  |
| Forfeited                      | —                | —  |
| Nonvested at December 31, 2015 | 68,762           | \$23.60  |

<sup>(a)</sup> The grant date fair value per share of the restricted stock is calculated as the closing market price of LendingTree's common stock at the time of grant.

The total fair value of restricted stock that vested during the years ended December 31, 2015, 2014 and 2013 was \$4.1 million, \$1.5 million and \$3.2 million, respectively.

NOTE 9—INCOME TAXES

Income Tax Provision

The components of the income tax benefit are as follows (in thousands):

|  | Year Ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2015                    | 2014     | 2013     |
| Current income tax expense (benefit):    |                         |          |          |
| Federal                                  | \$5,847                 | \$(371 ) | \$(425 ) |
| State                                    | 1,149                   | (219 )   | (92 )    |
| Current income tax expense (benefit)     | 6,996                   | (590 )   | (517 )   |
| Deferred income tax (benefit) provision: |                         |          |          |
| Federal                                  | (19,676 )               | 63       | 63       |
| State                                    | (10,293 )               | 43       | 1        |
| Deferred income tax (benefit) provision  | (29,969 )               | 106      | 64       |
| Income tax benefit                       | \$(22,973 )             | \$(484 ) | \$(453 ) |

A reconciliation of the income tax benefit to the amounts computed by applying the statutory federal income tax rate to income (loss) from continuing operations before income taxes is shown as follows (in thousands):

|   | Year Ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2015                    | 2014     | 2013     |
| Income tax expense (benefit) at the federal statutory rate of 35% | \$9,920                 | \$(340 ) | \$(394 ) |
| State income taxes, net of effect of federal tax benefit          | 1,480                   | (143 )   | (60 )    |
| Non-deductible non-cash compensation expense                      | 351                     | —        | —        |
| Release of valuation allowance                                    | (34,409 )               | —        | —        |
| Other, net  | (315 )                  | (1 )     | 1        |
| Income tax benefit  | \$(22,973 )             | \$(484 ) | \$(453 ) |

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Income Taxes

The tax effects of cumulative temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

|   | December 31, |           |
|---|--------------|-----------|
|   | 2015         | 2014      |
| Deferred tax assets:                                      |              |           |
| Provision for accrued expenses                            | \$7,247      | \$7,265   |
| Net operating loss carryforwards <sup>(a)</sup>           | 15,036       | 23,370    |
| Non-cash compensation expense                             | 4,321        | 3,010     |
| Goodwill  | 1,825        | 1,825     |
| Other   | 1,544        | 1,296     |
| Total gross deferred tax assets                           | 29,973       | 36,766    |
| Less: valuation allowance <sup>(b)</sup>                  | (2,341       | ) (40,121 |
| Total deferred tax assets, net of the valuation allowance | 27,632       | (3,355    |
| Deferred tax liabilities:                                 |              |           |
| Intangible and other assets                               | (2,060       | ) (1,258  |
| Other   | (453         | ) (237    |
| Total gross deferred tax liabilities                      | (2,513       | ) (1,495  |
| Net deferred taxes  | \$25,119     | \$(4,850  |

At December 31, 2015, the Company had pre-tax consolidated federal net operating losses ("NOLs") of \$32.2 million. The federal NOLs will expire between 2030 and 2034. The Company's NOLs will be available to offset taxable income (until such NOLs are either used or expire) subject to the Internal Revenue Code Section 382 annual limitation. The amount of tax deductions in excess of previously recorded windfall tax benefits associated (a) with non-cash compensation included in federal net operating loss carryforwards but not reflected in deferred tax assets for the year ended December 31, 2015 was \$8.2 million. Upon realization of the federal net operating losses, the Company will recognize a windfall tax benefit as an increase to additional paid-in capital. In addition, the Company has state NOLs of approximately \$287.3 million at December 31, 2015 that will expire at various times between 2015 and 2034.

(b) The valuation allowance is related to items for which it is "more likely than not" that the tax benefit will not be realized.

Deferred income taxes are presented in the accompanying consolidated balance sheets as follows (in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2015         | 2014     |
| Deferred income tax assets                     | \$20,977     | \$—      |
| Non-current assets of discontinued operations  | 4,142        | —        |
| Accrued expenses and other current liabilities | —            | (112     |
| Deferred income tax liabilities                | —            | (4,738   |
| Net deferred taxes                             | \$25,119     | \$(4,850 |

Valuation Allowance

A valuation allowance is provided on deferred tax assets if it is determined that it is "more likely than not" that the deferred tax asset will not be realized. As of each reporting date, management considers both positive and negative evidence regarding the likelihood of future realization of the deferred tax assets.

In the fourth quarter of 2015 the Company concluded, based upon all available evidence, it was more likely than not it would have sufficient future taxable income to realize the majority of its net deferred tax assets. As a result, the

Company released the majority of the valuation allowance in 2015. The Company significantly improved its operating performance in 2015, emerged from cumulative losses in recent years due to a cumulative profit position and projects taxable income in future years. While the

55

---

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company believes the assumptions included in its projections of future taxable income are reasonable, if the actual results vary from expected results due to unforeseen changes in the economy or mortgage industry, or other factors, the Company may need to make future adjustments to the valuation allowance for all, or a portion, of the net deferred tax assets. At December 31, 2015, the Company recorded a partial valuation allowance of \$2.3 million primarily related to state net operating losses, which the Company does not expect to be able to utilize prior to expiration. At December 31, 2014, the Company had recorded a full valuation allowance of \$40.1 million against its deferred tax assets.

A reconciliation of the beginning and ending balances of the deferred tax valuation allowance is as follows (in thousands):

|   | Year Ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2015                    | 2014     | 2013     |
| Balance, beginning of the period        | \$40,121                | \$49,674 | \$54,961 |
| Charges to earnings <sup>(a)</sup>      | (37,780 )               | (3,707 ) | (5,287 ) |
| Out of period adjustment <sup>(b)</sup> | —                       | (5,846 ) | —        |
| Balance, end of the period              | \$2,341                 | \$40,121 | \$49,674 |

(a) During 2015, the amount is primarily related to the Company's release of the valuation allowance, current year utilization of net operating loss carryforwards, the write-off of certain state net operating losses that expire in 2015 and state net operating losses not expected to be utilized in future years due to changes in ownership limitations.

(b) Out of period adjustment in the valuation allowance is offset by an out of period adjustment to the deferred tax assets, thus the adjustment is limited to disclosure. The error related primarily to the calculation of the federal benefit of the state operating loss carryforwards.

#### Unrecognized Tax Benefits

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties, is as follows (in thousands):

|   | Year Ended December 31, |       |
|---|-------------------------|-------|
|   | 2015                    | 2014  |
| Balance, beginning of the period                | \$23                    | \$36  |
| Additions based on tax positions of prior years | —                       | —     |
| Lapse of statute of limitations                 | (4 )                    | (13 ) |
| Balance, end of the period                      | \$19                    | \$23  |

Interest and, if applicable, penalties are recognized related to unrecognized tax benefits in income tax expense. For the year ended December 31, 2015, the Company incurred interest and penalties on unrecognized tax benefits of \$131,000 which was included in income tax expense. Interest and penalties on unrecognized tax benefits included in income tax expense for each of the years ended December 31, 2014 and 2013 are immaterial. As of December 31, 2015 and 2014, the accrual for interest and penalties was \$138,000 and \$8,000, respectively.

As of December 31, 2015 and 2014, the accrual for unrecognized tax benefits, including interest, was \$152,000 and \$25,000, respectively, none of which would benefit the effective tax rate if recognized.

#### Tax Audits

LendingTree is subject to audits by federal, state and local authorities in the area of income tax. These audits include questioning the timing and the amount of deductions and the allocation of income among various tax jurisdictions. Income taxes payable include amounts considered sufficient to pay assessments that may result from examination of prior year returns; however, any amounts paid upon resolution of issues raised may differ from the amount provided. Differences between the reserves for tax contingencies and the amounts owed by the Company are recorded in the period they become known. As of December 31, 2015, the Company is subject to a federal income tax examination



for the tax years 2012 through 2014. In addition, the Company is subject to state and local tax examinations for the tax years 2012 through 2014.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10—REVOLVING CREDIT FACILITY

Senior Secured Revolving Credit Facility

On October 22, 2015, the Company's wholly-owned subsidiary, LendingTree, LLC, entered into a \$125.0 million five-year senior secured revolving credit facility which matures on October 22, 2020 (the "Revolving Credit Facility"). The proceeds of the Revolving Credit Facility can be used to finance working capital needs, capital expenditures and general corporate purposes, including to finance permitted acquisitions. As of December 31, 2015, the Company does not have any borrowings outstanding under the Revolving Credit Facility.

Up to \$10.0 million of the Revolving Credit Facility will be available for short-term loans, referred to as swingline loans. Additionally, up to \$10.0 million of the Revolving Credit Facility will be available for the issuance of letters of credit. Under certain conditions, the Company will be permitted to add one or more term loans and/or increase revolving commitments under the Revolving Credit Facility up to an aggregate amount of \$50.0 million.

The Company's borrowings under the Revolving Credit Facility bear interest at annual rates that, at the Company's option, will be either:

a base rate generally defined as the sum of (i) the greater of (a) the prime rate of SunTrust Bank, (b) the federal funds effective rate plus 0.5% and (c) the LIBO rate (defined below) on a daily basis applicable for an interest period of one month plus 1.0% and (ii) an applicable percentage of 1.0% to 2.0% based on the funded debt to consolidated EBITDA ratio; or

a LIBO rate generally defined as the sum of (i) the rate for Eurodollar deposits in the applicable currency and (ii) an applicable percentage of 2.0% to 3.0% based on the funded debt to consolidated EBITDA ratio.

All swingline loans bear interest at the base rate defined above. Interest on the Company's borrowings are payable quarterly in arrears for base rate loans and on the last day of each interest rate period (but not less often than three months) for LIBO rate loans.

The Revolving Credit Facility contains certain restrictive financial covenants, which include a funded debt to consolidated EBITDA ratio and a consolidated EBITDA to interest expense ratio. In addition, the Revolving Credit Facility contains customary affirmative and negative covenants in addition to events of default for a transaction of this type that, among other things, restrict additional indebtedness, liens, mergers or certain fundamental changes, asset dispositions, dividends, stock repurchases and other restricted payments, transactions with affiliates, sale-leaseback transactions, hedging transactions, loans and investments and other matters customarily restricted in such agreements. The Company was in compliance with all covenants at December 31, 2015.

The Revolving Credit Facility requires LendingTree, LLC to pledge as collateral, subject to certain customary exclusions, 100% of its assets, including 100% of its equity in all of its subsidiaries. The obligations under this facility are unconditionally guaranteed on a senior basis by LendingTree, Inc. and specific subsidiaries of LendingTree, LLC, which guaranties are secured by a pledge as collateral, subject to certain customary exclusions, of 100% of each of such guarantor's assets, including 100% of its equity in all of its subsidiaries.

The Company is required to pay an unused commitment fee quarterly in arrears on the difference between committed amounts and amounts actually borrowed under the Revolving Credit Facility equal to an applicable percentage of 0.25% to 0.5% per annum based on a funded debt to consolidated EBITDA ratio. The Company is required to pay a letter of credit participation fee and a letter of credit fronting fee quarterly in arrears. The letter of credit participation fee is based upon the aggregate face amount of outstanding letters of credit at an applicable percentage of 2.0% to 3.0% based on the funded debt to consolidated EBITDA ratio. The letter of credit fronting fee is 0.125% per annum on the face amount of each letter of credit.

The Company incurred debt issuance costs of \$1.2 million for the Revolving Credit Facility, which is included in prepaid and other current assets and other non-current assets in the Company's consolidated balance sheet and is being amortized to interest expense over the life of the Revolving Credit Facility of five years.



LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 11—COMMITMENTS

## Operating Leases

The Company leases office space used in connection with its operations under various operating leases, which contain escalation clauses. The Company's operating leases relate to its office space in Charlotte, North Carolina and Burlingame, California.

Future minimum payments as of December 31, 2015 under operating lease agreements having an initial or remaining non-cancelable lease term in excess of one year are as follows (in thousands):

| Year ending<br>December 31, | Amount  |
|-----------------------------|---------|
| 2016                        | \$1,543 |
| 2017                        | 1,374   |
| 2018                        | 1,227   |
| 2019                        | 1,025   |
| 2020                        | 1,055   |
| Total                       | \$6,224 |

Rental expense for all operating leases, except those with terms of a month or less that were not renewed, charged to continuing operations was \$1.2 million, \$1.1 million and \$1.3 million, net of \$0, \$0 and \$18,000 sublease rental income, for each of the years ended December 31, 2015, 2014 and 2013, respectively, and a majority of which is included in general and administrative expense in the consolidated statements of operations and comprehensive income.

## Bonds

The Company has funding commitments that could potentially require performance in the event of demands by third parties or contingent events, as follows (in thousands):

|                                 | Commitments Due By Period |                     |           |           |                      |
|---------------------------------|---------------------------|---------------------|-----------|-----------|----------------------|
|                                 | Total                     | Less Than<br>1 year | 1-3 years | 3-5 years | More Than<br>5 years |
| Surety bonds <sup>(a)</sup>     | \$7,023                   | \$4,583             | \$2,440   | \$—       | \$—                  |
| Litigation bonds <sup>(b)</sup> | 2,540                     | 2,540               | —         | —         | —                    |
| Total                           | \$9,563                   | \$7,123             | \$2,440   | \$—       | \$—                  |

(a) State laws and regulations generally require businesses which engage in mortgage brokering activity to maintain a mortgage broker or similar license. Mortgage brokering activity is generally defined to include, among other things, receiving valuable consideration for offering assistance to a buyer in obtaining a residential mortgage or soliciting financial and mortgage information from the public and providing that information to an originator of residential mortgage loans. All states require that the Company maintain surety bonds for potential claims.

(b) Bonds required for certain legal matters. In addition, the Company has \$3.0 million of litigation bonds for discontinued operations.

## NOTE 12—CONTINGENCIES

## Overview

LendingTree is involved in legal proceedings on an ongoing basis. In assessing the materiality of a legal proceeding, the Company evaluates, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require it to change its business practices in a manner that could have a material and adverse impact on the business. With respect to the matters disclosed in this Note 12, unless otherwise indicated, the Company is unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

As of December 31, 2015 and 2014, the Company has a litigation settlement accrual of \$0.6 million and \$2.8 million, respectively, in continuing operations and \$3.6 million and \$2.9 million, respectively, in discontinued operations. The litigation

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

settlement accrual relates to litigation matters that were either settled or a firm offer for settlement was extended, thereby establishing an accrual amount that is both probable and reasonably estimable.

Specific Matters

Intellectual Property Litigation

Zillow

LendingTree v. Zillow, Inc., et al. Civil Action No. 3:10-cv-439. On September 8, 2010, the Company filed an action for patent infringement in the U.S. District Court for the Western District of North Carolina against Zillow, Inc., Nextag, Inc., Quinstreet, Inc., Quinstreet Media, Inc. and Adchemy, Inc. The complaint was amended to include Leadpoint, Inc. d/b/a Securerights on September 24, 2010. The complaint alleged that each of the defendants infringe one or both of the Company's patents—U.S. Patent No. 6,385,594, entitled "Method and Computer Network for Co-Ordinating a Loan over the Internet," and U.S. Patent No. 6,611,816, entitled "Method and Computer Network for Co-Ordinating a Loan over the Internet." The defendants in this action asserted various defenses and counterclaims against the Company, including the assertion by certain of the defendants of counterclaims alleging illegal monopolization via the Company's maintenance of the asserted patents. Defendant NexTag asserted defenses of laches and equitable estoppel. In July 2011, the Company reached a settlement agreement with Leadpoint, Inc., pursuant to which all claims against Leadpoint, Inc. and all counterclaims against the Company by Leadpoint, Inc. were dismissed. In November 2012, the Company reached a settlement agreement with Quinstreet, Inc. and Quinstreet Media, Inc. (collectively, the "Quinstreet Parties"), pursuant to which all claims against the Quinstreet Parties and all counterclaims against the Company by the Quinstreet Parties were dismissed. After an unsuccessful attempt to reach settlement through mediation with the remaining parties, this matter went to trial beginning in February 2014, and on March 12, 2014, the jury returned a verdict. The jury found that the defendants Zillow, Inc., Adchemy, Inc., and NexTag, Inc. did not infringe the two patents referenced above and determined that those patents are invalid due to an inventorship defect, and the court found that NexTag was entitled to defenses of laches and equitable estoppel. The jury found in the Company's favor on the defendants' counterclaims alleging inequitable conduct and antitrust violations. Judgment was entered on March 31, 2014. After the court entered judgment, on May 27, 2014, the Company reached a settlement agreement with defendant Adchemy, Inc., including an agreement to dismiss and withdraw all claims, counterclaims, and motions between the Company and Adchemy, Inc. As a result, a joint and voluntary dismissal was filed June 12, 2014 with respect to claims between the Company and Adchemy. The parties filed various post-trial motions; in particular, defendants collectively sought up to \$9.7 million in fees and costs. On October 9, 2014, the court denied the Company's post-trial motion for judgment as a matter of law and denied Zillow's post-trial motions for sanctions and attorneys' fees. The court also denied in part and granted in part NexTag's post-trial motion for attorneys' fees, awarding NexTag a portion of its attorneys' fees and costs totaling \$2.3 million, plus interest. The trial and post-trial motion process is now complete.

In November 2014, the Company filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit with respect to the jury verdict concerning Zillow, Inc. and Nextag, Inc. and the award of attorneys' fees. In March 2015, the U.S. Court of Appeals for the Federal Circuit granted the Company's motion to stay appellate briefing pending an en banc review by such court of the laches defense in an unrelated patent infringement matter and ruled in favor of Zillow, Inc. on an immaterial amount of costs related to the trial process. In June 2015, the Company reached a settlement agreement for \$1.1 million with defendant NexTag pursuant to which the Company dismissed its appeal of the jury verdict and the award of attorney's fees concerning NexTag, and NexTag dismissed its cross-appeal and claims relating to the jury verdict and the award of attorneys' fees. In July 2015, the stay was lifted on the Company's appeal with respect to the jury verdict concerning Zillow, Inc. As of February 2016, the appeal was fully briefed. Next Advisor, Inc.

Next Advisor, Inc. v. LendingTree, Inc. and LendingTree, LLC, No. 15-cvs-20775 (N.C. Super. Ct.). On November 6, 2015, the plaintiff filed this action against LendingTree, Inc. and LendingTree, LLC (together “LendingTree”). The plaintiff generally alleges that LendingTree breached a non-disclosure agreement and misappropriated trade secrets in the context of a potential business acquisition of the plaintiff by LendingTree. Based upon these allegations, the plaintiff asserts claims for breach of contract, misappropriation of trade secrets, and violation of the North Carolina Unfair and Deceptive Trade Practices Act. The plaintiff seeks damages, attorneys’ fees and injunctive relief. On December 16, 2015, LendingTree filed its answer to the plaintiff’s complaint, denying the material allegations and asserting numerous defenses thereto. Discovery is ongoing in this matter. LendingTree believes that the plaintiff’s allegations lack merit and intends to vigorously defend this action.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Legal Matters

Massachusetts Division of Banks

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

The proposed Consent Agreement and Order calls for a fine to be allocated among the Division and the Joining Regulators and for LendingTree, LLC to adopt various new procedures and practices. The Company has commenced negotiations toward an acceptable Consent Agreement and Order. It does not believe its mortgage marketplace business violated any federal or state mortgage lending laws; nor does it believe that any past operations of the mortgage business have resulted in a material violation of any such laws. Should the Division or any Joining Regulator bring any actions relating to the matters alleged in the February 2011 Report of Examination/Inspection, the Company intends to defend against such actions vigorously. The range of possible loss is estimated to be between \$0.5 million and \$6.5 million, and a reserve of \$0.5 million has been established for this matter in the accompanying consolidated balance sheet as of December 31, 2015.

Litigation Related to Discontinued Operations

Dijkstra

*Lijkel Dijkstra v. Harry Carenbauer, Home Loan Center, Inc. et al.*, No. 5:11-cv-152-JPB (U.S. Dist. Ct., N.D.WV).

In November 2008, the plaintiffs filed a putative class action in Circuit Court of Ohio County, West Virginia against Harry Carenbauer, HLC, HLC Escrow, Inc. et al. The complaint alleges that HLC engaged in the unauthorized practice of law in West Virginia by permitting persons who were neither admitted to the practice of law in West Virginia nor under the direct supervision of a lawyer admitted to the practice of law in West Virginia to close mortgage loans. The plaintiffs assert claims for declaratory judgment, contempt, injunctive relief, conversion, unjust enrichment, breach of fiduciary duty, intentional misrepresentation or fraud, negligent misrepresentation, violation of the West Virginia Consumer Credit and Protection Act ("CCPA"), violation of the West Virginia Lender, Broker & Services Act, civil conspiracy, outrage and negligence. The claims against all defendants other than Mr. Carenbauer, HLC and HLC Escrow, Inc. have been dismissed. The case was removed to federal court in October 2011. On January 3, 2013, the court granted a conditional class certification only with respect to the declaratory judgment, contempt, unjust enrichment and CCPA claims. The conditional class included consumers with mortgage loans in effect any time after November 8, 2007 who obtained such loans through HLC, and whose loans were closed by persons not admitted to the practice of law in West Virginia or by persons not under the direct supervision of a lawyer admitted to the practice of law in West Virginia. In February 2014, the court granted and denied certain of each party's motions for summary judgment. With respect to the Class Claims, the court granted plaintiff's motions for summary judgment with respect to declaratory judgment, unjust enrichment and violation of the CCPA. The court granted HLC's motion for summary judgment with respect to contempt. In addition, the court denied HLC's motion to decertify the class. With respect to the claims applicable to the named plaintiff only (the "Individual Claims"), HLC's motions for summary judgment were granted with respect to conversion, breach of fiduciary duty, intentional misrepresentation, negligent misrepresentation and outrage. HLC and the plaintiff settled the remaining Individual Claims in June 2014.



In July 2014, the court awarded damages to plaintiffs in the amount of \$2.8 million (the "Class Damages Award"). HLC filed a notice of appeal in August 2014 and in September 2014, plaintiffs filed a motion to dismiss the appeal. In December 2014, the U.S. Court of Appeals for the Fourth Circuit determined that the district court's order was not yet final, and accordingly, HLC's appeal was dismissed. In July 2015, the district court ordered that the Class Damages Award be allocated such that two-thirds of the Class Damages Award would be paid to the class members and one-third of the Class Damages Award would be paid to the plaintiffs' attorneys. In addition, the court ordered that HLC reimburse the class for attorneys' fees by making an incremental payment of \$389,500 attorneys' fee award be paid by HLC to the plaintiffs' attorneys. The judge also awarded prejudgment interest to plaintiffs. On July 30, 2015, the district court judge entered a final judgment order in this matter. On August 27, 2015, HLC filed its notice of appeal to the U.S. Court of Appeals for the Fourth Circuit with respect to the final judgment, the order granting attorneys' fees, and the orders on class damages, the pretrial conference, motions and class certifications. In January 2015, the parties reached a verbal settlement agreement with respect to such matters, subject to agreement of non-monetary terms of settlement, execution of a mutually agreeable written settlement agreement, approval of such settlement by the district court judge and

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fulfillment of certain class notice and administration requirements. A reserve of \$3.2 million has been established for this matter in the accompanying consolidated balance sheet as of December 31, 2015, of which some or all may be covered by insurance.

Residential Funding Company

Residential Funding Company, LLC v Home Loan Center, Inc., No. 13-cv-3451 (U.S. Dist. Ct., Minn.). On or about December 16, 2013, Home Loan Center, Inc. was served in the above captioned matter. Generally, Residential Funding Company, LLC ("RFC") seeks damages for breach of contract and indemnification for certain residential mortgage loans as well as residential mortgage-backed securitizations ("RMBS") containing mortgage loans. RFC asserts that, beginning in 2008, RFC faced massive repurchase demands and lawsuits from purchasers or insurers of the loans and RMBS that RFC had sold. RFC filed for bankruptcy protection in May 2012. Plaintiff alleges that, after RFC filed for Chapter 11 protection, hundreds of proofs of claim were filed, many of which mirrored the litigation filed against RFC prior to its bankruptcy.

In December 2013, the United States Bankruptcy Court for the Southern District of New York entered an Order confirming the Second Amended Joint Chapter 11 Plan Proposed by Residential Capital, LLC et al. and the Official Committee of Unsecured Creditors. Plaintiff then began filing substantially similar complaints against approximately 80 of the loan originators from whom RFC had purchased loans, including Home Loan Center, in federal and state courts in Minnesota and New York. In each case, Plaintiff claims that the defendant is liable for a portion of the global settlement in RFC's bankruptcy.

Plaintiff asserts two claims against HLC: (1) breach of contract based on HLC's alleged breach of representations and warranties concerning the quality and characteristics of the mortgage loans it sold to RFC (Count One); and (2) contractual indemnification for alleged liabilities, losses, and damages incurred by RFC arising out of purported defects in loans that RFC purchased from HSBC and sold to third parties (Count Two). Plaintiff alleges that the "types of defects" contained in the loans it purchased from HLC included "income misrepresentation, employment misrepresentation, appraisal misrepresentations or inaccuracies, undisclosed debt, and missing or inaccurate documents."

HLC filed a Motion to Dismiss under Rule 12(b)(6) of the Federal Rules of Civil Procedure or, in the alternative, a Motion for More Definite Statement under Rule 12(e). On June 25, 2015 the judge denied HLC's motion.

On July 9, 2015, HLC filed its answer to RFC's complaint, denying the material allegations of the complaint and asserting numerous defenses thereto. Discovery is ongoing in this matter. HLC intends to vigorously defend this action.

Lehman Brothers Holdings, Inc. Demand Letter

Lehman Brothers Holdings Inc. v. 1<sup>st</sup> Advantage Mortgage, LLC et al., Case No. 08-13555 (SCC) (Bankr. S.D.N.Y.). In February 2016, Lehman Brothers Holdings Inc. ("LBHI") filed an Adversary Complaint against Home Loan Center and approximately 149 other defendants (the "Complaint"). The Complaint generally seeks (1) a declaratory judgment that the settlements entered by LBHI with Fannie Mae and Freddie Mac as part of LBHI's bankruptcy proceedings gave rise to LBHI's contractual indemnification claims against defendants alleged in the Complaint; (2) indemnification from HLC and the other defendants for losses allegedly incurred by LBHI in respect of defective mortgage loans sold by defendants to LBHI or its affiliates; and (3) interest, attorneys' fees and costs incurred by LBHI in the litigation. HLC intends to defend this action vigorously. HLC had previously received a demand letter (the "Letter") from LBHI in December 2014 with respect to 64 loans (the "Loans") that LBHI alleged were sold by HLC to Lehman Brothers Bank FSB ("LBB") between 2004 and 2008 pursuant to a loan purchase agreement (the "LPA") between HLC and LBB. The Letter generally sought indemnification from HLC in accordance with the LPA for certain claims that LBHI alleged it allowed in its bankruptcy with respect to the Loans. HLC and LBHI are currently engaged in negotiations with respect to these matters. A reserve of \$0.5 million with respect to the Loans is included in the

accompanying consolidated balance sheet as of December 31, 2015.

**NOTE 13—RELATED PARTY TRANSACTIONS**

During 2015, the Company made \$0.7 million in payments to a marketing partner through the normal course of business. One of the Company's board of directors also serves as a director to the marketing partner.

During 2013, the Company made a contribution of \$0.4 million to an educational trust. The Company's Chairman and Chief Executive Officer is the trustee. However, he does not receive compensation as trustee and neither he nor any of his family members are entitled to distributions from the trust.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 14—BENEFIT PLANS

The Company operates a retirement savings plan for its employees in the United States that is qualified under Section 401(k) of the Internal Revenue Code. Employees are eligible to enroll in the plan upon date of hire. Participating employees may contribute up to 50% of their pre-tax earnings, but not more than statutory limits (generally \$18,000, \$17,500 and \$17,500 for 2015, 2014 and 2013, respectively). The company match contribution is fifty cents for each dollar a participant contributes to the plan, with a maximum contribution of 6% of a participant's eligible earnings. Matching contributions are invested in the same manner as each participant's voluntary contributions in the investment options provided under the plan. LendingTree stock is not included in the available investment options or the plan assets. Funds contributed to the plan vest according to the participant's years of service, with less than three years of service vesting at 0%, and three years or more of service vesting at 100%. Matching contributions were approximately \$0.5 million, \$0.5 million and \$0.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

## NOTE 15—RESTRUCTURING EXPENSE

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

|                              | Continuing<br>Lease<br>Obligations |
|------------------------------|------------------------------------|
| Balance at December 31, 2012 | \$906                              |
| Restructuring expense        | 56                                 |
| Payments                     | (500 )                             |
| Balance at December 31, 2013 | \$462                              |
| Restructuring expense        | 13                                 |
| Payments                     | (297 )                             |
| Balance at December 31, 2014 | \$178                              |
| Restructuring income         | (29 )                              |
| Payments                     | (149 )                             |
| Balance at December 31, 2015 | \$—                                |

## NOTE 16—DISCONTINUED OPERATIONS

The revenue and net (loss) income that are reported as discontinued operations in the accompanying consolidated statements of operations and comprehensive income are as follows (in thousands):

|   | Year Ended December 31, |          |            |
|---|-------------------------|----------|------------|
|   | 2015                    | 2014     | 2013       |
| Revenue   | \$6                     | \$14,256 | \$(1,520 ) |
| (Loss) income before income taxes <sup>(a)</sup>      | \$(5,047 )              | \$10,392 | \$(4,887 ) |
| Income tax benefit (expense)                          | 1,778                   | (543 )   | (54 )      |
| Gain from sale of discontinued operations, net of tax | —                       | —        | 9,561      |
| Net (loss) income                                     | \$(3,269 )              | \$9,849  | \$4,620    |

<sup>(a)</sup> Income before income taxes for the year ended December 31, 2014 includes income from a reduction in the loan loss reserve of \$14.1 million. See additional information in "Loan Loss Obligations" below.

## LendingTree Loans

On June 6, 2012, the Company sold substantially all of the operating assets of its LendingTree Loans business for \$55.9 million in cash to a wholly-owned subsidiary of Discover Financial Services ("Discover"). Of the total purchase

price, \$8.0 million was paid prior to the closing, \$37.9 million was paid upon the closing and the contingent amount of \$10.0 million was paid and recognized as a gain from sale of discontinued operations in 2013.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discover generally did not assume liabilities of the LendingTree Loans business that arose before the closing date, except for certain liabilities directly related to assets Discover acquired. Of the purchase price paid, as of December 31, 2015, \$4.0 million is being held in escrow in accordance with the agreement with Discover for certain loan loss obligations that remain with the Company following the sale. As a result of a settlement agreement in 2014 with a secondary market purchaser of loans, \$12.1 million was released from escrow in December 2015. The escrowed amount is recorded as restricted cash at December 31, 2015.

Separate from the asset purchase agreement, LendingTree agreed to provide certain marketing-related services to Discover in connection with its mortgage origination business for approximately seventeen months following the closing, or such earlier point as the agreed-upon services are satisfactorily completed. The services were satisfactorily completed in 2013.

Discover participated as a marketplace lender from closing of the transaction through July 2015.

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

#### Significant Assets and Liabilities of LendingTree Loans

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

#### Loan Loss Obligations

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

HLC, a subsidiary of the Company, continues to be liable for these indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of its LendingTree Loans business in the second quarter of 2012. As of December 31, 2015, approximately \$4.0 million is being held in escrow pending resolution of certain of these contingent liabilities.

Prior to the sale of substantially all of the operating assets of LendingTree Loans in June 2012, it originated approximately 234,000 loans with an original issue balance of \$38.9 billion.

During the fourth quarter of 2015, LendingTree Loans completed a settlement agreement for \$0.6 million with one of the investors to which it had sold loans. This investor accounted for approximately 10% of the total number of loans

sold and 12% of the original issue balance. This settlement related to all existing and future losses on loans sold to this investor.

During the fourth quarter of 2014, LendingTree Loans completed a settlement agreement for \$5.4 million with the largest investor to which it had sold loans. This investor accounted for approximately 40% of both the total number of loans sold and the original issue balance. This settlement related to all existing and future losses on loans sold to this investor. The settlement was paid in the fourth quarter of 2014 with restricted cash of \$3.1 million and cash on hand of \$2.3 million. The settlement with this investor in the fourth quarter of 2014 and the impact this settlement had on the estimate of the remaining loan loss obligations resulted in income of \$14.1 million, which was included in income from discontinued operations in the accompanying consolidated statements of operations and comprehensive income during 2014. The adjustment to the loan loss reserve did not result in tax expense recognition due to the Company's full valuation allowance against its deferred tax assets.

In the second quarter of 2014, LendingTree Loans completed settlements with two buyers of previously purchased loans.

LENDINGTREE, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has been negotiating with certain of the remaining secondary market purchasers to settle any existing and future contingent liabilities, but it may not be able to complete such negotiations on acceptable terms, or at all. Because LendingTree Loans does not service the loans it sold, it does not maintain nor generally have access to the current balances and loan performance data with respect to the individual loans previously sold to investors. Accordingly, LendingTree Loans is unable to determine, with precision, its maximum exposure for breaches of the representations and warranties it made to the investors that purchased such loans.

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

The estimated range of remaining loan losses using this settlement discount framework was determined to be \$5.7 million to \$10.3 million at December 31, 2015. The reserve balance recorded as of December 31, 2015 was \$8.1 million. Management has considered both objective and subjective factors in the estimation process, but given current general industry trends in mortgage loans as well as housing prices and market expectations, actual losses related to LendingTree Loans' obligations could vary significantly from the obligation recorded as of the balance sheet date or the range estimated above.

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

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

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

|  | Year Ended December 31, |           |          |
|--|-------------------------|-----------|----------|
|  | 2015                    | 2014      | 2013     |
| Loan loss reserve, beginning of period | \$8,750                 | \$28,543  | \$27,182 |
| Provision adjustments <sup>(a)</sup>   | —                       | (14,144 ) | 1,531    |
| Charge-offs to reserves                | (623 )                  | (5,649 )  | (170 )   |
| Loan loss reserve, end of period       | \$8,127                 | \$8,750   | \$28,543 |

<sup>(a)</sup> As discussed above, during 2014, LendingTree Loans completed a settlement agreement with the largest investor to which it had sold loans, resulting in an adjustment to the provision.

The liability for losses on previously sold loans is presented as current liabilities of discontinued operations in the accompanying consolidated balance sheets as of December 31, 2015 and 2014.

NOTE 17—SEGMENT INFORMATION

During 2015, management made certain changes to its organizational structure that impacted its previous operating segments. As a result, management concluded it had one reportable segment representing the Company's Lending activities. Previously reported segment results have been revised to conform to the Company's one reportable segment at December 31, 2015.

Mortgage and non-mortgage product revenue is as follows (in thousands):

|                   | Year Ended December 31, |           |         |
|-------------------|-------------------------|-----------|---------|
|                   | 2015                    | 2014      | 2013    |
| Mortgage products | \$165,272               | \$134,137 | 123,091 |



Edgar Filing: LendingTree, Inc. - Form 10-K

|                       |           |           |           |
|-----------------------|-----------|-----------|-----------|
| Non-mortgage products | 88,944    | 33,213    | 16,149    |
| Total revenue         | \$254,216 | \$167,350 | \$139,240 |

64

---

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 18—QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth summary financial information for the years ended December 31, 2015 and 2014:

|   | Q1                                       | Q2         | Q3         | Q4       |
|---|--|------------|------------|----------|
|   | (in thousands, except per share amounts) |            |            |          |
| <b>2015</b>   |  |            |            |          |
| Revenue   | \$50,935                                 | \$55,136   | \$69,804   | \$78,341 |
| Operating income                                      | 5,718                                    | 6,775      | 7,773      | 8,248    |
| Income from continuing operations                     | 5,413                                    | 6,439      | 7,383      | 32,081   |
| (Loss) income from discontinued operations            | (226)                                    | ) (1,717)  | ) (1,295)  | ) (31)   |
| Net income and comprehensive income                   | \$5,187                                  | \$4,722    | \$6,088    | \$32,050 |
| Income per share from continuing operations:          |  |            |            |          |
| Basic   | \$0.48                                   | \$0.57     | \$0.65     | \$2.69   |
| Diluted   | \$0.44                                   | \$0.52     | \$0.59     | \$2.47   |
| (Loss) income per share from discontinued operations: |  |            |            |          |
| Basic   | \$(0.02)                                 | ) \$(0.15) | ) \$(0.11) | ) \$—    |
| Diluted   | \$(0.02)                                 | ) \$(0.14) | ) \$(0.10) | ) \$—    |
| Net income per share:                                 |  |            |            |          |
| Basic   | \$0.46                                   | \$0.41     | \$0.53     | \$2.69   |
| Diluted   | \$0.43                                   | \$0.38     | \$0.49     | \$2.47   |
|   | Q1                                       | Q2         | Q3         | Q4       |
|   | (in thousands, except per share amounts) |            |            |          |
| <b>2014</b>   |  |            |            |          |
| Revenue   | \$40,036                                 | \$42,144   | \$41,306   | \$43,864 |
| Operating (loss) income                               | (5,835)                                  | ) 2,600    | 554        | 1,712    |
| (Loss) income from continuing operations              | (5,834)                                  | ) 2,683    | 555        | 2,109    |
| (Loss) income from discontinued operations            | (574)                                    | ) (2,931)  | ) (174)    | ) 13,528 |
| Net (loss) income and comprehensive (loss) income     | \$(6,408)                                | ) \$(248)  | ) \$381    | \$15,637 |
| (Loss) income per share from continuing operations:   |  |            |            |          |
| Basic   | \$(0.52)                                 | ) \$0.24   | \$0.05     | \$0.19   |
| Diluted   | \$(0.52)                                 | ) \$0.23   | \$0.05     | \$0.18   |
| (Loss) income per share from discontinued operations: |  |            |            |          |
| Basic   | \$(0.05)                                 | ) \$(0.26) | ) \$(0.02) | ) \$1.21 |
| Diluted   | \$(0.05)                                 | ) \$(0.25) | ) \$(0.01) | ) \$1.12 |
| Net (loss) income per share:                          |  |            |            |          |
| Basic   | \$(0.58)                                 | ) \$(0.02) | ) \$0.03   | \$1.39   |
| Diluted   | \$(0.58)                                 | ) \$(0.02) | ) \$0.03   | \$1.30   |

## NOTE 19—SUBSEQUENT EVENTS

## Common Stock Repurchase Program

In January 2016, the board of directors authorized and the Company announced the addition of up to \$50.0 million under the stock repurchase program. Between January 1, 2016 and February 26, 2016, the Company purchased 573,370 shares of its common stock for aggregate consideration of \$40.0 million.

LENDINGTREE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In February 2016, the board of directors further authorized and the Company announced the addition of up to \$40.0 million under the stock repurchase program. As of February 26, 2016, approximately \$57.3 million remains authorized for share repurchase.

Revolving Credit Facility

On February 25, 2016, the Company and its subsidiary, LendingTree, LLC, entered into the first amendment to credit agreement which amends the Revolving Credit Facility to increase the amount of permitted restricted payments under the agreement. See Note 10—Revolving Credit Facility for a description of the Revolving Credit Facility.

Table of Contents

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), management, with the participation of our principal executive officer (Chief Executive Officer) and our principal financial officer (Chief Financial Officer), evaluated, as of the end of the period covered by this report, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Management necessarily applied its judgment in assessing the costs and benefits of such controls procedures, which by their nature can provide only reasonable assurance regarding management's control objectives. Management does not expect that our disclosure controls and procedures will prevent or detect all errors and fraud. A control system, irrespective of how well it is designed and operated, can only provide reasonable assurance and cannot guarantee that it will succeed in its stated objectives. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria for effective internal control over financial reporting described in "Internal Control-Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework in the Internal Control-Integrated Framework, issued by the COSO, management has concluded that our internal control over financial reporting was effective as of December 31, 2015. The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing under "Item 8. Financial Statements and Supplementary Data" included elsewhere in this annual report.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in the Exchange Act, Rules 13a-15(f)) that occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

On February 25, 2016, the Company and its subsidiary, LendingTree, LLC, entered into the first amendment to credit agreement which amends the Revolving Credit Facility to increase the amount of permitted restricted payments under the agreement. See Note 10—Revolving Credit Facility, in Part I, Item I, Financial Statements for a description of the Revolving Credit Facility.

Table of Contents

PART III

As set forth below, the information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated herein by reference to the Company's definitive proxy statement to be used in connection with its 2016 Annual Meeting of Stockholders and which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company's fiscal year ended December 31, 2015 (the "2016 Proxy Statement"), in accordance with General Instruction G(3) of Form 10-K.

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be contained in, and is hereby incorporated by reference to, the 2016 Proxy Statement.

ITEM 11. Executive Compensation

The information required by Item 11 will be contained in, and is hereby incorporated by reference to, the 2016 Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be contained in, and is hereby incorporated by reference to, the 2016 Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be contained in, and is hereby incorporated by reference to, the 2016 Proxy Statement.

ITEM 14. Principal Accounting Fees and Services

The information required by Item 14 will be contained in, and is hereby incorporated by reference to, the 2016 Proxy Statement.

Table of Contents

## PART IV

## ITEM 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as part of this report:

(1) Consolidated Financial Statements of LendingTree, Inc.

Report of Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP.

Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2015, 2014 and 2013.

Consolidated Balance Sheets as of December 31, 2015 and 2014.

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2015, 2014 and 2013.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013.

Notes to Consolidated Financial Statements.

(2) Consolidated Financial Statement Schedules of LendingTree, Inc.

All financial statements and schedules have been omitted since the required information is included in the consolidated financial statements or the notes thereto, or is not applicable or required.

(3) Exhibits

The documents set forth below, numbered in accordance with Item 601 of Regulation S-K, are filed herewith or incorporated herein by reference to the location indicated below.

| Exhibit Number | Description   | Location   |
|----------------|---|--|
| 2.1            | Separation and Distribution Agreement among IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc., dated August 20, 2008.   | Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (No. 333-152700), filed August 1, 2008 |
| 2.2            | Tax Sharing Agreement among IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc., dated August 20, 2008.   | Exhibit 10.2 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 25, 2008          |
| 2.3            | Employee Matters Agreement among IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc., dated August 20, 2008.  | Exhibit 10.3 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 25, 2008          |
| 2.4            | Transition Services Agreement among IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc., dated August 20, 2008.   | Exhibit 10.4 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 25, 2008          |
| 2.5            | Spinco Assignment and Assumption Agreement among IAC/InterActiveCorp, Tree.com, Inc., Liberty Media Corporation and Liberty USA Holdings, LLC, dated August 20, 2008.   | Exhibit 10.6 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 25, 2008          |
| 2.6            | Asset Purchase Agreement among Home Loan Center, Inc., First Residential Mortgage Network, Inc. dba SurePoint Lending, and the shareholders of First Residential Mortgage Network named therein, dated November 15, 2010. | Exhibit 2.1 to Registrant's Current Report on Form 8-K (No. 001-34063) filed November 16, 2010             |
| 2.7            | First Amendment to Asset Purchase Agreement among HLC, SurePoint and the shareholders party thereto, dated March 14, 2011.  | Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed March 21, 2011                            |
| 2.8            |   |  |

Edgar Filing: LendingTree, Inc. - Form 10-K

Second Amendment to Asset Purchase Agreement  
among HLC, SurePoint and the shareholders party  
thereto, dated March 15, 2011.

Exhibit 2.2 to the Registrant's Current Report on  
Form 8-K filed March 21, 2011



Edgar Filing: LendingTree, Inc. - Form 10-K

| Exhibit Number | Description   | Location  |
|----------------|---|---|
| 2.9            | Asset Purchase Agreement among Tree.com, Inc., Home Loan Center, Inc., LendingTree, LLC, HLC Escrow, Inc. and Discover Bank, dated May 12, 2011**   | Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed May 16, 2011                               |
| 2.10           | Asset Purchase Agreement among LendingTree, LLC, RealEstate.com, Inc. and Market Leader, Inc., dated September 15, 2011**   | Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed September 21, 2011                         |
| 2.11           | Amendment to Asset Purchase Agreement among Home Loan Center, Inc., HLC Escrow, Inc., LendingTree, LLC, Tree.com, Inc., Discover Bank and Discover Financial Services, dated February 7, 2012**   | Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed February 8, 2012                           |
| 3.1            | Amended and Restated Certificate of Incorporation of LendingTree, Inc.  | Exhibit 3.1 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 25, 2008            |
| 3.2            | Third Amended and Restated By-laws of LendingTree, Inc.   | Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed December 31, 2014                          |
| 4.1            | Amended and Restated Restricted Share Grant and Shareholders' Agreement, among Forest Merger Corp., LendingTree, Inc., InterActiveCorp and the Grantees named therein, dated July 7, 2003*  | Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (No. 333-152700), filed August 1, 2008  |
| 4.2            | Registration Rights Agreement among Tree.com, Inc., Liberty Media Corporation and Liberty USA Holdings, LLC, dated August 20, 2008.   | Exhibit 10.5 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 25, 2008           |
| 10.1           | Letter Agreement between Tree.com, Inc. and Alexander Mandel, dated July 27, 2012*  | Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed November 14, 2012                      |
| 10.2           | Change in Control Letter between Tree.com, Inc. and Alexander Mandel, dated July 27, 2012*  | Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed November 14, 2012                          |
| 10.3           | Amended Employment Offer and Change in Control Letter and Release by and between Alexander Mandel and LendingTree, Inc., dated July 2, 2015 *   | Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed October 26, 2015                       |
| 10.4           | Letter Agreement between Tree.com, Inc. and Carla Shumate, dated December 11, 2012*   | Exhibit 10.1 to the Registrant's Annual Report on Form 10-K filed April 1, 2013                             |
| 10.5           | Letter Agreement between LendingTree, Inc. and Carla Shumate, dated March 11, 2015*   | Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed April 30, 2015                         |
| 10.6           | Letter Agreement between LendingTree, Inc. and Carla Shumate, dated December 31, 2015*  | †   |
| 10.7           | Employment Agreement between Tree.com, Inc. and Douglas Lebda, dated January 9, 2014*   | Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2014                            |
| 10.8           | Restricted Share Grant and Stockholder's Agreement among IAC/InterActiveCorp, LendingTree Holdings Corp. and Douglas R. Lebda, dated August 15, 2008, together with Exhibit A thereto, Amended and Restated Certificate of Incorporation of LendingTree Holdings Corp.* | Exhibits 99.2 and 99.3 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed August 20, 2008 |
| 10.9           | Amendment No. 1 to the Restricted Share Grant and Stockholder's Agreement between Tree.com, Inc., LendingTree Holdings Corp. and Douglas R. Lebda, dated August 30, 2010*   | Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (No. 001-34063) filed November 12, 2010      |

Edgar Filing: LendingTree, Inc. - Form 10-K

|       |  |  |
|-------|--|--|
| 10.10 | Amendment No. 1 to the Stock Option Award Agreement between Douglas R. Lebda and Tree.com, Inc., dated May 10, 2010* | Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q (No. 001-34063) filed May 12, 2010 |
| 10.11 | Employment Agreement between Tree.com, Inc. and Gabriel Dalporto, dated January 9, 2014*                             | Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2014                   |
| 10.12 | Employment Agreement between LendingTree, Inc. and Gabriel Dalporto, dated March 11, 2015*                           | Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed March 16, 2015                   |

70

---

Edgar Filing: LendingTree, Inc. - Form 10-K

| Exhibit Number | Description   | Location  |
|----------------|---|---|
| 10.13          | Letter Agreement between LendingTree, Inc. and Nikul Patel, dated December 31, 2015*  | †   |
| 10.14          | Fourth Amended and Restated Tree.com, Inc. 2008 Stock and Annual Incentive Plan*  | Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 7, 2014   |
| 10.15          | Deferred Compensation Plan for Non-Employee Directors*  | Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (No. 333-152700), filed August 1, 2008                                   |
| 10.16          | 2011 Deferred Compensation Plan for Non-Employee Directors*   | Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed April 30, 2015   |
| 10.17          | Form of Notice of Restricted Stock Unit Award*  | Exhibit 10.86(b) to the Registrant's Post-Effective Amendment to its Registration Statement on Form S-1 (No. 333-152700), filed July 13, 2012 |
| 10.18          | Form of Notice of Restricted Stock Unit Award*  | Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2014  |
| 10.19          | Form of Restricted Stock Award*   | Exhibit 10.86(c) to the Registrant's Post-Effective Amendment to its Registration Statement on Form S-1 (No. 333-152700), filed July 13, 2012 |
| 10.20          | Form of Notice of Restricted Stock Award*   | Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2014  |
| 10.21          | Standard Terms and Conditions to Restricted Stock Award Letters of Tree.com BU Holding Company, Inc.*                           | Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed February 3, 2011  |
| 10.22          | Form of Amendment to Restricted Stock Awards for Douglas R. Lebda*  | Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed May 12, 2010   |
| 10.23          | Form of Notice of Stock Option Award Granted Under the 2008 Stock and Annual Incentive Plan*                                    | Exhibit 10.6 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed March 27, 2009  |
| 10.24          | Form of Notice of Stock Option Award Granted Under the Amended and Restated 2008 Stock and Annual Incentive Plan*               | Exhibit 10.86(d) to the Registrant's Post-Effective Amendment to its Registration Statement on Form S-1 (No. 333-152700), filed July 13, 2012 |
| 10.25          | Form of Notice of Stock Option Award Granted Under the Second Amended and Restated 2008 Stock and Annual Incentive Plan*        | Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q (No. 001-34063) filed May 12, 2010  |
| 10.26          | Form of Notice of Stock Option Award Granted Under the 2008 Stock and Annual Incentive Plan*                                    | Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2014  |
| 10.27          | Stock Purchase Agreement between Tree.com, Inc. and Douglas R. Lebda, dated February 8, 2009*                                   | Exhibit 10.1 to the Registrant's Current Report on Form 8-K (No. 001-34063) filed February 11, 2009   |
| 10.28          | Amendment No. 1 to Stock Purchase Agreement between Tree.com, Inc. and Douglas R. Lebda, dated May 10, 2010*                    | Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (No. 001-34063) filed May 12, 2010   |
| 10.29          | Credit Agreement by and among LendingTree, LLC, LendingTree, Inc. and SunTrust Bank, dated October 22, 2015                     | Exhibit 99.1 to the Registrant's Quarterly Report on Form 10-Q filed October 26, 2015   |
| 10.30          | First Amendment to Credit Agreement by and among LendingTree, LLC, LendingTree, Inc. and SunTrust Bank, dated February 25, 2016 | †   |
| 21.1           | Subsidiaries of LendingTree, Inc.   | †   |



| Exhibit Number | Description   | Location |
|----------------|---|----------|
| 23.1           | Consent of independent registered public accounting firm.   | †        |
| 24.1           | Power of Attorney (included on signature page of this Annual Report on Form 10-K)   | †        |
| 31.1           | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | †        |
| 31.2           | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | †        |
| 32.1           | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  | ††       |
| 32.2           | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  | ††       |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document   | †††      |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document  | †††      |
| 101.INS        | XBRL Instance Document  | †††      |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document   | †††      |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document  | †††      |
| 101.SCH        | XBRL Taxonomy Extension Schema Document   | †††      |

---

† Filed herewith

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

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

\* Management contract or compensation plan or arrangement.

\*\* Certain schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Company agrees to furnish supplementally a copy of all omitted schedules to the SEC upon its request.

Table of Contents

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 1, 2016

LendingTree, Inc.

By: /s/ DOUGLAS R. LEBDA  
Douglas R. Lebda  
Chairman and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Katharine Pierce as his or her true and lawful attorney and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and to file the same with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney and agent may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated and on the dates indicated.

| Signature                                | Title   | Date          |
|--|---|---------------|
| /s/ DOUGLAS R. LEBDA<br>Douglas R. Lebda | Chairman, Chief Executive Officer and Director<br>(Principal Executive Officer)         | March 1, 2016 |
| /s/ GABRIEL DALPORTO<br>Gabriel Dalporto | Chief Financial Officer<br>(Principal Financial Officer)                                | March 1, 2016 |
| /s/ CARLA SHUMATE<br>Carla Shumate       | Senior Vice President and Chief Accounting<br>Officer<br>(Principal Accounting Officer) | March 1, 2016 |
| /s/ NEAL DERMER<br>Neal Dermer           | Director  | March 1, 2016 |
| /s/ ROBIN HENDERSON<br>Robin Henderson   | Director  | March 1, 2016 |
| /s/ PETER HORAN<br>Peter Horan           | Director  | March 1, 2016 |
| /s/ STEVEN OZONIAN<br>Steven Ozonian     | Director  | March 1, 2016 |
| /s/ SARAS SARASVATHY<br>Saras Sarasvathy | Director  | March 1, 2016 |
| /s/ CRAIG TROYER                         | Director  | March 1, 2016 |

Craig Troyer

73