

Tree.com, Inc.
Form 424B3
August 16, 2011

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-152700

Prospectus Supplement No. 1 to
Prospectus Dated August 12, 2011

Tree.com, Inc.

3,678,664 Shares of Common Stock, Par Value \$0.01 Per Share

This prospectus supplement no. 1 supplements and amends information in the prospectus dated August 12, 2011 (the "Prospectus"). You should read this prospectus supplement in conjunction with the Prospectus. This supplement is qualified by reference to the Prospectus, except to the extent that the information herein supersedes the information contained in the Prospectus.

This prospectus supplement includes our Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2011 (other than the portions of such documents, if any, furnished to the Securities and Exchange Commission but not deemed to have been "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended).

As indicated under "Risk Factors" on page 1 of the Prospectus, in reviewing this prospectus supplement and the Prospectus, you should carefully consider the risks beginning on page 4 of the Prospectus and in any prospectus supplements to the Prospectus dated prior to the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

This supplement is part of the Prospectus and must accompany the Prospectus to satisfy prospectus delivery requirements under the Securities Act of 1933, as amended.

This date of this prospectus supplement is August 15, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2011

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**

TREE.COM, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

11115 Rushmore Drive, Charlotte, North Carolina 28277
(Address of principal executive offices)

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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(Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 11, 2011 there were 11,037,670 shares of the Registrant's common stock, par value \$.01 per share, outstanding, excluding treasury shares.

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Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1. Financial Statements****TREE.COM, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands, except per share amounts)			
Revenue	\$ 17,215	\$ 15,116	\$ 31,339	\$ 34,102
Cost of revenue (exclusive of depreciation shown separately below)	1,522	1,118	2,871	2,592
Gross margin	15,693	13,998	28,468	31,510
Operating expenses				
Selling and marketing expense	15,423	11,497	31,054	26,160
General and administrative expense	5,606	6,328	11,563	12,911
Product development	861	717	2,150	1,827
Litigation settlements and contingencies	25		4,525	
Restructuring expense	398	68	491	2,671
Amortization of intangibles	267	943	574	1,886
Depreciation	1,225	892	2,404	1,777
Asset impairments	250		5,257	
Total operating expenses	24,055	20,445	58,018	47,232
Operating loss	(8,362)	(6,447)	(29,550)	(15,722)
Other income (expense)				
Interest income				7
Interest expense	(76)	(166)	(155)	(333)
Total other expense, net	(76)	(166)	(155)	(326)
Loss before income taxes	(8,438)	(6,613)	(29,705)	(16,048)
Income tax provision	(37)	(265)	(302)	(808)
Net loss from continuing operations	(8,475)	(6,878)	(30,007)	(16,856)
Income (loss) from discontinued operations, net of tax	(9,343)	6,079	(27,306)	9,911
Net loss available to common shareholders	\$ (17,818)	\$ (799)	\$ (57,313)	\$ (6,945)
Weighted average common shares outstanding	11,014	11,240	10,948	11,039

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Weighted average diluted shares outstanding	11,014	11,240	10,948	11,039
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Net loss per share from continuing operations

Basic	\$ (0.77)	\$ (0.61)	\$ (2.74)	\$ (1.53)
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Diluted	\$ (0.77)	\$ (0.61)	\$ (2.74)	\$ (1.53)
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Net loss per share available to common shareholders

Basic	\$ (1.62)	\$ (0.07)	\$ (5.23)	\$ (0.63)
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Diluted	\$ (1.62)	\$ (0.07)	\$ (5.23)	\$ (0.63)
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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents**TREE.COM, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	June 30, 2011	December 31, 2010
	(unaudited)	
	(In thousands, except par value and share amounts)	
ASSETS:		
Cash and cash equivalents	\$ 34,276	\$ 68,819
Restricted cash and cash equivalents	10,321	8,155
Accounts receivable, net of allowance of \$146 and \$213, respectively	6,989	3,534
Prepaid and other current assets	937	1,159
Current assets of discontinued operations	140,177	130,615
Total current assets	192,700	212,282
Property and equipment, net	9,340	8,505
Goodwill	3,632	3,632
Intangible assets, net	40,496	45,419
Other non-current assets	116	116
Non-current assets of discontinued operations	10,759	12,848
Total assets	\$ 257,043	\$ 282,802
LIABILITIES:		
Accounts payable, trade	\$ 15,951	\$ 6,485
Deferred revenue	81	1,540
Deferred income taxes	2,358	2,358
Accrued expenses and other current liabilities	22,125	22,912
Current liabilities of discontinued operations	135,049	118,038
Total current liabilities	175,564	151,333
Income taxes payable	101	96
Other long-term liabilities	3,363	3,168
Deferred income taxes	14,241	13,962
Non-current liabilities of discontinued operations	18,073	12,422
Total liabilities	211,342	180,981
Commitments and contingencies (Note 9)		
SHAREHOLDERS' EQUITY:		
Preferred stock \$.01 par value; authorized 5,000,000 shares; none issued or outstanding		
Common stock \$.01 par value; authorized 50,000,000 shares; issued 12,151,330 and 11,893,468 shares, respectively, and outstanding 11,028,069 and 10,770,207 shares, respectively	121	118
Additional paid-in capital	910,027	908,837
Accumulated deficit	(855,915)	(798,602)
Treasury stock 1,123,261 shares	(8,532)	(8,532)
Total shareholders' equity	45,701	101,821
Total liabilities and shareholders' equity	\$ 257,043	\$ 282,802

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

