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LendingTree, Inc. (TREE): Timber!

We are short LendingTree, Inc. (“TREE”, “LendingTree”, “the Company”), a highly levered lead generator that we believe has failed to properly disclose two massive blows to its business that have now grown into existential risks.

First, LendingTree is sitting on a time bomb of litigation exposing it to a *minimum* of \$157 million up to \$472 million in damages – almost the entirety of the Company’s current equity value. LendingTree has unsuccessfully fought this suit for the past 5 years, all the while never disclosing its existence to investors. We think the litigation has now grown into an existential risk. In August 2024, the court ruled to certify the Plaintiff class, which the Company itself told the court was a “*death knell*” for its defense, citing “*astronomical*” damages. Just 3 days ago, the judge set a November 3, 2025 trial date. Despite these developments, LendingTree CEO Doug Lebda told a totally different story on the Company’s Q3 conference call, characterizing the nearly half-a-billion dollar exposure as mere “normal course” proceedings.

LendingTree on Q3 2024 Conference Call	LendingTree in August 2024 Court Filings
<i>“All we’re doing with any litigation thing is just accruing for prospective settlements that we may or may not have in arbitration and mediation and things like that. So I wouldn’t put too much stock in any one number around any one case. What I would do is just see it as just accruing for normal costs that we have to incur for doing business.”</i>	<i>“Class certification [which the Court already approved] would likely be a death knell... According to the certification order, the approved class... amounts to a minimum \$157,414,000 in claimed damages... but plaintiffs seek treble damages, bringing QuoteWizard’s liability exposure to a staggering \$472,242,000.”</i>

LendingTree has just \$4 million in legal reserves. We find it incredibly unlikely that Plaintiffs would be satisfied with a \$4 million settlement at this stage – such a decision would be like kicking a field goal on first and goal. Precedent cases provide a helpful guide; we include several herein.

Second, we believe LendingTree will be decimated by January 2025 [FCC rule changes](#) that “*close the lead generator robocall and robotexts loophole*.” Lead generators must now obtain “one-to-one consent” prior to consumer contact, which we believe upends LendingTree’s entire business model overnight.

- First, the Company is set to see a dramatic reduction in its ability to generate leads internally, as consumers who are often duped into offering their contact information under the promise of “free online quotes” will now opt out of the process entirely. Don’t take our word for it: LendingTree says so in one of its numerous comment letters to the FCC, saying “*a consumer may become so exhausted by the sheer number of potential partners that they abandon their search altogether*.”
- Second, LendingTree currently sells a single lead 8 or more times. Under new rules, its likely many consumers only opt-in to being contacted by 1 or 2 parties, rather than opting-in to blanket consent as prior.
- Finally, we believe LendingTree’s reliance on third-party lead generators, brokers, and agencies will prove detrimental, as former employees and leading TCPA attorneys say this business is now effectively dead. However, a September 2023 deposition of a former QuoteWizard employee (LendingTree’s insurance subsidiary) revealed that an estimated two-thirds of its leads are purchased from such third parties.

Industry participants have been sounding the alarm for months, opining for example, that “*the industry is about to implode*” and that, “*the largest sellers [that] depend on third-party sources [such as LendingTree]*” are set to see

“a huge blow [to revenues], potentially in the eight- or nine-figure range.” Some even question if *“lead generators can remain viable as businesses.”*

Tellingly, during the FCC’s open comment period, LendingTree authored 13 comments in opposition to the regulation – the most of any single company – arguing that the new playing field, *“harms comparison shopping site operators.”* Yet once again, when it comes to investor-facing disclosures, LendingTree has barely acknowledged the rule changes, let alone told investors how the Company plans to deal with them.

We suspect LendingTree has ignored the two elephants in the room because their collective impact could prove existential. The Company is already on tenuous financial footing, strapped with \$472 million in debt across term loans containing minimum EBITDA covenants that must be cured with ATM equity issuances. To analogize, LendingTree’s business doesn’t have room for a hiccup, let alone two pulmonary embolisms. Tellingly, the Company has cycled through 5 General Counsels in the past 5+ years, while both LendingTree’s COO and CFO left the Company in the past 18 months. Just three weeks ago, LendingTree’s current GC sold the very last of her remaining shares in the Company. We are short and think shares are headed lower.

Introduction to LendingTree: A Highly Levered Lead Gen Business

LendingTree was founded in 1996 as a mortgage lead generator. Over the past 20+ years, the Company has expanded its services offerings, and now claims that it allows consumers to, “compare multiple offers from a nationwide network of approximately 500 partners (which we refer to as “Network Partners”) in one simple search...” LendingTree generates revenues “primarily from match fees and closing fees” wherein match fees are earned “through the delivery of loan requests” (i.e., consumer information, or “leads”) and closing fees are earned, “when the lender funds a loan with the consumer.”¹ In layman’s terms, LendingTree collects leads, then sells those leads to banks and insurance companies who use it to sell various forms of insurance and financial products.

There are two ways that LendingTree gathers leads. First, the Company seeks to drive traffic to its online websites such as flagship insurance property, [QuoteWizard.com](https://www.quotewizard.com). QuoteWizard ads claim to allow users to “get insurance quotes online”, yet the Company does not provide quotes, but merely collects and sells the lead to third parties, who then – per [consumer complaints](#) – bombard consumers with calls and texts. Indeed, LendingTree’s own fine print disclosures cite the Company’s ability to sell a lead 8 times, as shown below.

The screenshot displays the QuoteWizard.com interface. On the left is a lead generation form titled "Sam, Good News! We've Found Matches For You." It includes a progress bar at 81% Complete, a "Previous Question" link, and an "Exit" button. The form asks for a "Street Address" (with an example "E.G. 123 Main St"), a "Zip Code" (with "10001" entered), and a "Phone Number". A large green button labeled "Get My Auto Quotes" is at the bottom. Below the button is a redacted section of fine print, which includes the text: "By clicking 'Get My Auto Quotes' I provide my electronic signature and express written consent to telemarketing calls, text messages, and direct mail from the company or its affiliates or representatives at the address provided by me, and to receive such communications from the company or its affiliates or representatives at the address provided by me, and to receive such communications from the company or its affiliates or representatives at the address provided by me, and to receive such communications from the company or its affiliates or representatives at the address provided by me." Below this, it states: "Additionally, by clicking 'Get My Auto Quotes', I acknowledge that I have read, understand, and agree to this Web site's Privacy Policy and Terms of Use." At the bottom, it says: "I am directing this Web site to share my information to the providers in our network for the purpose of providing me with information about their financial services and products." A final note mentions: "As part of our quoting process, we will be confirming information based on claims reports and your credit based insurance score. This will help us provide you with the best quote possible. We may also use this information to provide you with a quote for another insurance policy, if requested."

On the right is a results page titled "sam, we've found you 5 rates". It lists five insurance providers, each with a "View My Rate" button:

- InsuredNation** (TOP RATED CARRIER)
- Cheaper Quotes**
- Ultimate Insurance**
- Smartfinancial Insurance**

As was described by one former employee we spoke with:

“If you go on QuoteWizard’s site for insurance comparison shopping, you input your information but oftentimes you put basic information in, 2 or 3 screens later it says we’ve matched you, and a lot of times

¹ 2023 Form 10-K

it was Progressive. Progressive would pay for that placement in the funnel. It's just whoever is paying the most... It still blows my mind that customers even do this, that they put their information in there and think that they're going to get the best insurance quotes."

The second way that LendingTree gathers leads is by simply purchasing them from third-party generators and brokers. We believe the Company's historical and continued reliance on this practice now threatens to bury it altogether, as the combined impact of both massive legal liabilities and new FCC regulations explicitly designed to "close the lead generator robocall and robotexts loophole" take effect in January 2025. LendingTree has ignored the elephants in the room for far too long...

LendingTree is Failing to Properly Disclose Potentially Existential Legal Liabilities

Over the past 5 years, LendingTree has been fighting a TCPA class action lawsuit that the Company failed to disclose to investors, and now only on its most recent call blatantly represents as an inconsequential matter in "*the normal course of business*." However, we believe this litigation has grown into an existential threat. In August 2024, LendingTree suffered a massive blow as the Court certified the class of Plaintiffs, an action that LendingTree itself told the court would be a "*death knell*" for its defense. LendingTree is now exposed to "*astronomical*" potential damages of a *minimum* of \$157 million to \$472 million – almost the entirety of the Company's current equity value.

Background: Mantha vs. QuoteWizard.com, LLC

In October 2019, LendingTree subsidiary and its primary Insurance brand QuoteWizard.com, LLC ("Defendants") were sued by Joseph Mantha in a class action complaint filed in the U.S. District Court of Massachusetts ("the Court").² Mantha alleged violations of the Telephone Consumer Protection Act ("TCPA"), which makes it illegal to solicit to a "*residential telephone subscriber who has registered his or her name on the national do-not-call registry*." [Potential damages](#) are steep, at \$500 to \$1,500 per violation (i.e., per text or call).

CLASS ACTION COMPLAINT

Preliminary Statement

1. Plaintiff Joseph Mantha ("Plaintiff") brings this action to enforce the consumer-privacy provisions of the Telephone Consumer Protection Act, 47 U.S.C. § 227 ("TCPA"), a federal statute enacted in 1991 in response to widespread public outrage about the proliferation of intrusive, nuisance telemarketing practices. *See Mims v. Arrow Fin. Servs., LLC*, 132 S. Ct. 740, 745 (2012).

2. Quotewizard.com, LLC ("QuoteWizard" or "Defendant") sent automated text message calls to cellular telephone numbers, including the Plaintiff, which is prohibited by the TCPA. The calls were also made to some individuals despite their presence on the National Do Not Call Registry, such as the Plaintiff.

² *Mantha v. QuoteWizard.com*, Civil Action 19-12235-LTS

As summarized in a [December 2021 Court opinion](#), LendingTree had purchased the leads from a buyer who had purchased the Plaintiff's contact information from yet another group that itself had purchased the information from a company based in Bosnia.

Defendant bought plaintiff's lead from RevPoint Media LLC (RevPoint) on August 5, 2019. (##225 ¶¶ 49, 53; 220-1 ¶ 95.) RevPoint, in turn, had purchased plaintiff's contact information from Plural Marketing Group (Plural) earlier that same day. (##225 ¶ 54; 220-1 ¶ 101.) Plural was also not the source of plaintiff's information, but instead purchased it from a company based in Bosnia called Fenix Media (Fenix). (##225 ¶ 55.) Each lead that defendant purchased from RevPoint contained a contractual promise that leads were interested in insurance and [REDACTED] to contact by defendant or others as [REDACTED] [REDACTED] [REDACTED] (##211-1 at 9; 220-1 ¶¶ 83-86.) Plural likewise promised RevPoint that its leads were TCPA-compliant, and Fenix made the same promise to Plural. (##220-1 ¶¶ 105, 111.) Yet RevPoint has no independent way of verifying the information it purchases from Plural. (##225 ¶ 54.)

[In the words of](#) leading TCPA attorneys at Troutman Amin, LLP:

"They purchased from a third party who purchased from a pirated Bosnian website... That's how this whole case got started. Now hundreds of thousands of leads that QuoteWizard purchased from different sources that didn't have QuoteWizard's name on the form are now an issue."

Our conversations with former QuoteWizard employees shined more light on the breakdown in processes that occurred – even the simple task of checking a phone number against “do-not-call” lists.

"Generally you [ought to] mark the call as a DNC. Where was the oversight? Obviously this was something where there was no oversight... Obviously someone didn't review the data to send the robocalls out to make sure they were filtered. That was a big fail."

For the past 5 years, LendingTree has tried and failed to rid itself of the suit.³ In December 2019, Defendants filed a motion to dismiss, which the Court ruled against in March 2020.⁴ In August 2021, Plaintiffs also revealed that the Company twice offered to settle, and Mantha refused, stating that, *"these buy off attempts...failed to offer any relief to anyone other than Mr. Mantha and failed to make any changes whatsoever to its illegal telemarketing practices."*⁵ The parties engaged in two stages of discovery: first encompassing only the lead plaintiff, and second, the broader class. Discovery concluded in December 2023.

³ We do not hold the following summary out as comprehensive; the full docket has hundreds of entries. We are merely summarizing what we deem to be relevant events in the litigation for the sake of providing context to readers. We encourage interested readers to read the docket in full at their own leisure.

⁴ Document 30, filed March 16, 2020.

⁵ Document 221, filed August 4, 2021.

In August, the Class Was Certified. In LendingTree's Own Words, "A Death Knell" for its Defense

In January 2024, the Plaintiffs filed a motion to certify the class of 66,963 members who were sent 314,828 unsolicited text messages. The TCPA explicitly calls for damages of \$500 to \$1,500 per contact, **which in turn represents \$157 to \$472 million in total damages.**⁶ LendingTree filed its own Motion to Exclude the testimony of Plaintiff's expert responsible for determining the size and scope of the class, arguing that the expert employed faulty methods.⁷ However, on August 16, 2024, the Judge ruled both to DENY LendingTree's Motion to Exclude, ALLOWING the Plaintiff's class to be certified.⁸

IV. CONCLUSION

For the foregoing reasons, the Motion to Exclude (Doc. No. 349) is DENIED, and the Motion for Class Certification (Doc. No. 339) is ALLOWED. The Court certifies the following class:

All persons within the United States (a) whose telephone numbers were listed on the National Do Not Call Registry, and (b) who received more than one telemarketing text within any twelve-month period at any time from Drips, (c) to promote the sale of QuoteWizard's goods or services, and (d) whose numbers are included on the Class List.

In an August 30, 2024 appeal, the Company argued that allowing the certification to stand would be a "death knell" for its defense, as it exposes QuoteWizard to "astronomical damages" that "would lead to QuoteWizard having to abandon its defenses because of the cost of class litigation."

"But plaintiffs seek treble damages, bringing QuoteWizard's liability exposure to a staggering \$472,242,000. Add litigation costs to defend yearslong class claims, and QuoteWizard almost certainly will be forced to settle even though it has numerous valid and strong legal defenses..."

"...the astronomical damages QuoteWizard now faces if the class is approved..."

This range of damages equates to 30% to 91% of TREE's entire market cap, or a multiple of 2.8x to 8.4x the Company's entire annual cash flows.

TREE Illustrative Legal Impact (\$ millions)	Bad	Worse
Damages	157	472
Current market cap	520	
Damages as % of current market cap	30%	91%
LTM free cash flow to equity	56	
Damages as multiple of annual cash flow	2.8x	8.4x

⁶ 47 U.S.C. § 227(b)(3), "...an action based on a violation...to recover for actual monetary loss from such a violation, or to receive \$500 in damages for each such violation, whichever is greater; or... If the court finds that the defendant willfully or knowingly violated... the court may, in its discretion, increase the amount of the award to an amount equal to not more than 3 times the amount..."

⁷ Ironically and in our view quite humorously, one of QuoteWizard's arguments for excluding the expert testimony hinged on the notion that the expert's techniques led to a class that was not too large, but too small. 6 days after the Court shrugged off this argument and certified the class anyway, one of Defendant's lawyers, a 2021 law school graduate, was terminated from the case.

⁸ Document 368, filed August 16, 2024.

Just last week, on November 27, 2024, both parties submitted a joint status report to the Court which disclosed that the mediation “*did not reach a resolution.*”

F. Whether the parties wish to participate in the Court’s mediation program and, if so, when in the course of the remainder of the schedule that should occur.

The parties convened for private mediation on November 13, 2024, but did not reach a resolution. The parties believe further mediation should occur, if at all, with the private mediator who convened the November mediation.

This past Monday – just 3 days ago – the court set a November 3, 2025 trial date.

12/02/2024	377	District Judge Leo T. Sorokin: ELECTRONIC ORDER entered. re 376 Status Report.
		The Court has reviewed the joint status report filed by the parties. The Court ADOPTS the jointly proposed schedule for filing and briefing of the notice plan motion Plaintiff will file. The subsequent schedules proposed by the parties differ slightly largely based on discovery from class members sought by the Defendant. The Court will resolve the remainder of the schedule when it resolves the notice motion and the motion for reopening discovery. The latter motion is due December 17, 2024 with the <u>opposition by January 7, 2025 and the reply by January 14, 2025</u> . Under either schedule or any variation thereof <u>trial will commence on November 3, 2025 at 9:00 a.m.</u> A separate order will issue establishing pretrial filing deadlines.(Dore, Samantha) (Entered: 12/02/2024)

LendingTree Failed to Disclose the Litigation for 5 Years, Now Blatantly Misrepresents It

We find it especially telling that LendingTree has fought this litigation for 5 years, argued to the Court that class certification poses a “*death knell*” for its defense, and protested “*astronomical*” damages up to \$472 million – and yet never disclosed the lawsuit’s existence to investors. The case was mentioned by name for the first time in the Company’s Q3 2024 Form 10-Q, in an otherwise boilerplate disclosure shown below.

Item 1. Legal Proceedings

In the ordinary course of business, we are party to litigation involving property, contract, intellectual property, data privacy and security, and a variety of other claims. The amounts that may be recovered in such matters may be subject to insurance coverage. On or about October 29, 2019, Joseph Mantha filed a class action lawsuit against QuoteWizard.com, LLC alleging claims in violation of the Telephone Consumer Protection Act. On August 16, 2024, the U.S. District Court of Massachusetts granted the plaintiff’s motion to certify a class. This case is set for mediation on November 13, 2024.

In Q3 2024, LendingTree recognized a measly \$3.8 million in litigation settlement and contingency expenses, bringing total balance sheet accruals to \$4.3 million. Again, the Company’s Form 10-Q offered sparse commentary, instead repeating boilerplate disclosures that “*Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements.*” On the Company’s Q3 2024 conference call, CEO Doug Lebda not only shrank from the challenge but in our view dramatically misrepresented the litigation charge as a “normal cost” of doing business.

Analyst Question: “... And then one quick one. I think I saw there was, like, a \$4 million settlement litigation cost on the P&L. I’m just curious if there was anything to unpack there.”

TREE CEO Douglas R. Lebda: “*The litigation charge. So all we're doing with any litigation thing is just accruing for prospective settlements that we may or may not have in arbitration and mediation and things like that. **So I wouldn't put too much stock in any one number around any one case.** What I would do is just see it as **just accruing for normal costs** that we have to incur for doing business.*”

It seems extremely unlikely to us that at this point, Plaintiffs would settle for the measly \$4 million that LendingTree has in litigation reserves as of Q3 2024. Per our review of recent TCPA class action cases resulting in similar settlement figures, the class was either extremely small, or the case was settled early in the litigation process prior to years of legal fees and class certification.⁹ For example:

- In July 2024, [Deere Credit Services settled](#) a TCPA class action suit for \$1.5 million on a class of 3,000 members, or \$500 per member.
- In June 2024, [the Chicago Cubs settled](#) a TCPA class action suit for \$1.2 million on a class of 2,486 members, or \$493 per class member.
- In May 2024, [Blue Cross Blue Shield settled](#) a TCPA class action suit for \$1.6 million on a class of “over 1,400” members, or \$1,143 per member.
- In June 2023, [Cardinal Financial settled](#) a TCPA class action suit for \$7.2 million. In contrast to LendingTree’s 5+ year battle resulting in class certification, Cardinal’s suit had been filed less than 2 years earlier and there was no certified class prior to settlement.
- In March 2023, [Build A Bear Workshop settled](#) a TCPA class action for \$4.1 million. Similarly, Build A Bear had been sued less than 2 years earlier and there was no previously certified class.

Defendant	Settlement	Class Size
Deere Credit Services	\$1.5 million	3,000
The Chicago Cubs	\$1.2 million	2,486
Blue Cross Blue Shield	\$1.6 million	1,400
Cardinal Financial	\$7.2 million	Not Certified
Build A Bear	\$4.1 million	Not Certified
LendingTree	\$4.3 million (reserve)	66,963

LendingTree’s Problems are Compounded by Highly Constrained Balance Sheet

LendingTree’s legal and regulatory woes are compounded by the Company’s highly constrained balance sheet. As of Q3 2024, LendingTree holds \$472 million in debt and just \$97 million in cash, representing a net debt ratio of 4.3x LTM Adj. EBITDA. \$126 million of debt is current, under term loans with numerous covenants. According to its [credit agreement](#), the Company must maintain:

- Minimum cash balances of \$40 million at each quarter-end,

⁹ These cases are by no means comprehensive, or are our summaries of these cases. Each case is unique, and we cannot predict the outcome of any one case. These cases do, however, inform our view of LendingTree’s current predicament.

- Minimum LTM EBITDA of \$80 million, and
- Minimum EBITDA of \$17.5 million in each Q1, Q2, and Q3, and \$14.5 million in Q4.

(c) In the event of a Minimum EBITDA Covenant Event of Default, the Borrower will cause Common Stock to be sold pursuant to the ATM Equity Program within 25 Trading Days (the “**ATM Deadline**”) after the date on which financial statements are required to be delivered with respect to such applicable fiscal quarter pursuant to Section 5.01(b) resulting in Net Proceeds (such Net Proceeds, “**Minimum EBITDA Covenant Cure Proceeds**”) to the Borrower in an aggregate amount not less than the Minimum EBITDA Covenant Cure Amount; *provided* that the Borrower shall not be required to cause such sale to the extent that Consolidated EBITDA exceeds \$80,000,000 for the most recently ended Test Period.

If LendingTree were to default, then the Company would be forced to issue stock via its ATM within 25 trading days in order to cure that breach. In July 2024, LendingTree [filed an ATM](#) to sell up to \$50 million in stock – that ATM remains untapped, for now.

Equity Distribution Agreement

In July 2024, the Company entered into an Equity Distribution Agreement in connection with the establishment of an ATM Equity Program (as defined in the 2024 Term Loan (as defined herein) agreement) under which the Company may sell up to an aggregate of \$50.0 million of shares of the Company's common stock. No sales were made under the Equity Distribution Agreement during the three months ended September 30, 2024.

LendingTree Insiders are Fleeing, and its GC Just Sold Every Share She Owned

Amid this backdrop, we find it notable that LendingTree’s General Counsel role has been a revolving door, with 5 General Counsels over the past 5+ years.

- In March 2019, the Company [hired Laura Yens](#) as GC, but Yens [left](#) reportedly just four months later.
- LendingTree filled its GC role until December 2019 – i.e., during the start of the TCPA litigation – with a set of two interim Co-GCs, Ryan Quinn and Val DeCristo. DeCristo remains with LendingTree, but [Quinn left](#) the Company in March 2021.¹⁰
- In January 2021, Lisa Young joined as GC and left the Company just 2 years later in June 2023.
- In June 2023, Young was succeeded by Heather Novitsky, Esq. first as “SVP, Head of Legal” and then as the Company’s General Counsel.

In May 2024, [Novitsky sold](#) 2,000 shares at \$49.08 per share, and just one month ago, she sold all of her 564 remaining shares:

¹⁰ Quinn’s LinkedIn curiously claims that he “established and led 15-member legal and compliance department increasing the size of the department from 5 members...” It’s telling that LendingTree’s apparent entire “legal and compliance” department was just 5 people despite having been a public company for 20+ years.

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP
Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: November 30, 2011
Estimated average burden hours per response... 0.5

1. Name and Address of Reporting Person Enlow-Novitsky Heather (Last) (First) (Middle) 1415 VANTAGE PARK DR., SUITE 700 (Street) CHARLOTTE, NC 28203 (City) (State) (Zip)		2. Issuer Name and Ticker or Trading Symbol LendingTree, Inc. [TREE]		5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer (give title below) <input type="checkbox"/> Other (specify below) General Counsel & Corp Sec.	
3. Date of Earliest Transaction (MM/DD/YY) 11/11/2024		4. If Amendment, Date Original Filed (MM/DD/YY)		6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person	

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (MM/DD/YY)	2A. Deemed Execution Date, if any (MM/DD/YY)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	11/11/2024		S	564	D	\$ 52.54	0

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (MM/DD/YY)	3A. Deemed Execution Date, if any (MM/DD/YY)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (MM/DD/YY)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)

Reporting Owners					Signatures	
Reporting Owner Name / Address	Relationships				Signature of Reporting Person	Date
	Director	10% Owner	Officer	Other		
Enlow-Novitsky Heather 1415 VANTAGE PARK DR., SUITE 700 CHARLOTTE, NC 28203			General Counsel & Corp Sec.		/s/ Heather Enlow-Novitsky	11/12/2024

Explanation of Responses:

In July 2023, LendingTree COO and former CFO JD Moriarty [left his role](#) as named executive, while the Company retained Moriarty as a consultant. We note that while named executives are required to provide certain signoffs on the Company's SEC filings, consultants are not. Judging from Moriarty's [LinkedIn profile](#), he did not take up another job until just last month.

Finally, on June 18, 2024, the Company [announced](#) that CFO Trent Ziegler, who had served in increasing roles at LendingTree since 2012, would be stepping down effective August 9, 2024. The Court then ruled against the Company and certified the Plaintiffs class just 7 days later.

LendingTree Fails to Disclose Impact of Potentially Devastating FCC Rule Changes

We believe LendingTree has not only improperly disclosed its litigation, but failed to disclose the impact of [FCC rule changes](#) that have sent a shockwave through the lead generation industry and threaten to upend the Company's entire business model.

The New Rules: Closing the Lead Generator Robocall and Robotexts Loophole

In December 2023, the Federal Communications Commission ("FCC") [adopted new rules](#) designed to "close the lead generator robocall and robotexts loophole." These rules become effective in January 2025, and stipulate that lead generators must now obtain "one-to-one consent", meaning that lead sellers (i.e., LendingTree) must disclose the names of each of the lead buyers (i.e., call centers and sales agents), to consumers, and consumers must agree

to be contacted by each individual lead buyer, rather than the blanket consent agreement such as the one featured by QuoteWizard near the beginning of this report.

For Immediate Release

**FCC ADOPTS NEW RULES TO CLOSE THE ‘LEAD GENERATOR’
ROBOCALL AND ROBOTEXTS LOOPHOLE AND FACILITATE
BLOCKING OF UNWANTED ROBOTEXTS**

WASHINGTON, December 13, 2023—The Federal Communications Commission today adopted new rules to further protect consumers from scam communications by directly addressing some of the biggest vulnerabilities in America’s robotext defenses and closing the “lead generator” robocall/robotexts loophole. The new rules allow blocking of “red flagged” robotexting numbers, codifies do-not-call rules for texting, and encourages an opt-in approach for delivering email-to-text messages.

D. Closing the Lead Generator Loophole

30. We now make it unequivocally clear that texters and callers must obtain a consumer’s prior express written consent to robocall or robotext the consumer soliciting their business. We also make it unequivocally clear that this requirement applies a single seller at a time, on the comparison shopping websites that often are the source of lead generation, thus closing the lead generator loophole.⁶⁷ Lead-

One-to-One Consent Drastically Reduces LendingTree’s Internal Lead Generation Abilities

In practice, as [illustrated by](#) one leading law firm specializing in TCPA cases, lead generators must now alter their disclosures such that consumers explicitly opt-in to receiving information from each potential lead buyer, called a “seller” in the FCC’s nomenclature (i.e., a “seller” of end services such as insurance).

Provide your phone number and choose who you want to hear from to get started!

By clicking **Select and Agree** below I am providing my ESIGN signature and express written consent agreement to permit the company, or companies, (selected below) and parties calling on their behalf, to contact me at the number provided below for marketing purposes including through the use of automated technology, SMS/MMS messages, AI generative voice, and prerecorded and/or artificial voice messages. I acknowledge my consent is not required to obtain any good or service and to be connected with sellers that can fit my needs without providing content. (I can call 888- xxx xxx)

Select as many companies or you'd like to hear from Or **Select All**

- ☐ Awesome company one
- ☐ Awesome company two
- ☐ Awesome company three
- ☐ Awesome company four

My phone number where these companies may contact me is:

SELECT AND AGREE!

TROUTMAN AMIN, LLP
— DESERVE TO WIN —

This is a significant departure from the way that the industry has been operating for decades, as illustrated by the blanket consent disclosures on LendingTree's QuoteWizard form reproduced on page 4 of this report. We believe the one-to-one consent rule will be incredibly damaging to LendingTree in three major ways.

First, LendingTree's internal lead generation efforts will become incredibly cumbersome. Recall that the Company attracts consumers to its websites and gathers their information by claiming that they can receive "online quotes" in as little as two minutes. Under new explicit opt-in rules, many consumers will now realize prior to submitting their information that they aren't actually going to receive online quotes. They will abandon the process altogether, leaving LendingTree emptyhanded. Don't just take our word for it – in one of LendingTree's many [comment letters](#) to the FCC, the Company itself complained that:

"presenting potential partners on the 'same web page' is unworkable... in this scenario, a consumer may become so exhausted by the sheer number of potential partners that they abandon their search altogether."

In fact, according to our review of comments filed during the FCC's [public comment period](#), LendingTree was the single most frequent company commenter at 13 filings opposed the changes.¹¹ For example, in LendingTree's ex parte [November 2024 letter](#), the Company again complained that, "the Public Draft blithely dismisses the potential harms to comparison shopping site operators..."

¹¹ LendingTree is the only company listed among the top 10 filers that was not a trade association.

Second, LendingTree is exposed to massive risk not only as the Company gathers fewer leads, but sells those leads less often. Recall that LendingTree's own disclosures authorize consumers to be contacted "by up to eight" parties. We spoke to former employees who corroborated the Company's sales practices, saying that:

"Data will be sold anywhere from 3 to 12 times over. When I was there, they sold on average 6 times."

LendingTree's own FCC comment letters also petitioned the FCC to allow "a maximum of ten entities to whom the information could be shared." Under the new rules, however, many consumers are likely to stop short of issuing blanket contact permissions, as most don't want to be bombarded with calls, and when it comes to mortgage loans, [for example](#), "88% of homebuyers either go with the first or second lender that calls."

Third, we believe LendingTree's reliance on third-party networks and brokers will prove detrimental, as the Company will lose both a massive set of customers and suppliers virtually overnight.

See that according to LendingTree's own [partner list](#), while the Company sells leads to banks and insurance companies (i.e., "sellers"), the Company also sells to third parties such as [Policy Post](#), [Quotehound INC](#), [QuoteNerds](#) LLC, and many others. Under the new rules, we find it highly unlikely that consumers will consent to their data being shared with businesses such as "QuoteNerds LLC." Nevertheless, even if those consumers *do* consent, brokers have lost the ability to re-sell that lead to the ultimate provider (e.g., State Farm, Progressive) *unless* that consumer has *also* consented to receiving contact from those providers. As it was put in an [October 2024 presentation](#) by attorney [John Henson](#), who previously served in various GC and compliance roles at LendingTree, lead brokers are now stuck, as "They're not selling anything. They're not a good or service provider..."¹²

IA "seller" is defined in the CFR as an entity that provides a good or service to a consumer.

- Allstate = Seller
- Bob's Independent Insurance Broker = Seller (probably)
- Sue's Insurance Leads Emporium = Not a Seller
- Carl's Walk-in Tubs = Not Logically and Topically Related

Moreover, recall that while LendingTree generates its own leads through websites like QuoteWizard, the Company also simply buys leads from third parties. Indeed, recall that the seed that germinated LendingTree's now massive TCPA exposure began with the Company's acquisition of consumer contact information that had already been passed between three different sets of hands.

A transcript of a September 2023 deposition of a former QuoteWizard employee in connection with the Mantha litigation reveals that since 2019, **an estimated two-thirds of LendingTree's leads were purchased from third parties.**¹³ See relevant portions of the publicly available deposition transcript reproduced below:

¹² Note the potentially confusing nomenclature: an insurance broker (e.g., a local representative of Allstate) is "probably" permitted to contact the customer on behalf of Allstate, but "Sue's Insurance Leads Emporium" is not permitted to contact the customer on behalf of Allstate, because Sue is not the ultimate seller of the insurance policy.

¹³ Document 348-4, filed 2/14/2024

10 Q. And your answer goes on to say that QuoteWizard
 11 purchased -- "these lead suppliers in turn necessarily
 12 would have purchased -- would have either purchased
 13 leads from or generated leads from thousands (if not
 14 hundreds of thousands) of different lead websites that
 15 necessarily have various different forms of consent
 16 language that might be contested by counsel and would
 17 require individualized inquiries into each consumer's
 18 agreement to disclosure language."
 19 And that's your answer, correct?
 20 A. Correct.

6 Q. Sure, yeah. We're talking ballpark.
 7 MR. POLANSKY: Objection.
 8 You can answer.
 9 A. I would say over -- what four-year period are we
 10 talking?
 11 Q. The last four years. Well, let's say going back
 12 to 2019, which is four years.
 13 A. Yeah. I -- I would say, if I had to give an
 14 average, I would say maybe two-thirds third party,
 15 one-third our own.

According to a former LendingTree employee we spoke with, these sources are going to be "eliminated" overnight:

"One on one consent is going to eliminate a lot of those boiler-room type call centers. The leads they're [LendingTree] buying, they won't get one on one consent."

This to be widely recognized in the industry, yet totally ignored by LendingTree. As put plainly by leading TCPA attorney Eric Troutman in a December 2023 [interview](#), "Brokering is likely dead in most of its manifestations." Others [say](#), "lenders can wave internet leads goodbye thanks to a new ruling from the FCC..." In the same vein, a [June 2024 article citing](#) former EverQuote employees questioned whether lead generators that rely so heavily on third-party sources can even remain viable:

"The same [former EverQuote] employee estimated that the largest sellers in the space depend on third-party sources for up to 75% of the leads they sell to end buyers. For companies that bring in billions a year in lead generation, that's a huge blow, potentially in the eight- or nine-figure range."

It remains to be seen whether lead generators can remain viable as businesses while adjusting their models to account for increased scrutiny on the integrity of their data..."

LendingTree Buries Its Exposure to the Risks: Zero Mentions of New Rules on Conference Calls

We find LendingTree's disclosures of its exposure and plans to mitigate the impact of these new rules incredibly lacking, especially in light of the Company's continual FCC protests and industrywide acknowledgement of the new paradigm. LendingTree's only mention of the changes came in its Q3 2024 Form 10-Q – notably, 3 full quarters after the rules were adopted – in which the Company still failed to address the elephant in the room.

Our revenue and earnings may fluctuate from time to time as a result of changes to federal, state, and industry-based laws and regulations, or changes to standards concerning the enforcement thereof. On January 26, 2024, the U.S. Federal Communications Commission (the "FCC") published regulations which, among other things, amend the consent requirements of the Telephone Consumer Protection Act of 1991 to close what the FCC refers to as the "lead generator loophole" by requiring "one-to-one consent" for outbound telemarketing calls or texts made using an automatic telephone dialing system or pre-recorded or artificial voice messages to wireless or residential numbers. The new "one-to-one consent" rule is scheduled to take effect on January 27, 2025.

Although it remains unclear how these changes may ultimately be interpreted by courts or further revised by regulators, we anticipate that the required changes could have an adverse impact on the market for financial product and insurance quote requests and will require us and our third-party sources to modify our marketing practices and policies. While we have been proactively working to enhance our due diligence, contractual requirements, and oversight of lead generators, and will continue to analyze our marketing practices and policies and update as appropriate to mitigate the impact on our business and to ensure continuing compliance with the new rules, it is not possible to ensure that all lead generators and employees will comply with our policies and procedures at all times, which may result in potential litigation and regulatory exposure.

By comparison, LendingTree's public competitors have openly discussed the changes, how they are altering key business practices in response, and potential financial impacts. For example, QuinStreet (QNST) CEO Douglas Valenti stated on the company's August 2024 conference call – in what some might consider a public dig – that:

"It's going to take out cleanup, get rid of a lot of the junk in the channel. There are a lot of folks who do nothing but buy and resell leads and contacts and call them leads and overmatch consumers to providers to the tune of more than 5, 10x. And that is not helpful to our consumer response..."

On QuinStreet's November 2024 conference call, Valenti followed up those comments by stating that the company included "a more modest outlook" in its Home Services segment as a result of the new rules and added that QuinStreet expects the industry to adapt "over a number of quarters."

"We know FCC changes to TCPA rules scheduled to go into effect in January are an area of investor interest. Most importantly, we have been preparing and testing implementation of the new rules for almost a year and we have included in our outlook the expected impact from them. We expect the impact to occur mainly during the period over which we, clients and the industry transition and adapt to the new rules, most likely over a number of quarters."

"TCPA is going to have its most direct effect on our Home Services business because of it being more of a lead business. I think we're extraordinarily well positioned against that. We have, though, included in our outlook a more modest outlook for Home Services in the back half than we would if there were not going to be new rules in TCPA. And so we want to, again, maintain a fairly conservative defensive profile against that, particularly the transition period there."

Similarly, EverQuote CFO Joseph Sanborn stated on the company's August 2024 conference call that the rule changes led to a "more tempered" outlook for Q1:

"When you look at all those impacts right now...the likely outcome is that financial performance in our business is likely to be more tempered probably in Q1 than a normal start of the year you would have with carrier budget resets, sort of the net-net of all of this."

On the company's November 2024 conference call, Sanborn again acknowledged the "challenge for the industry" that the new rules would create for some operators, echoing QuinStreet's comments regarding those who might "overmatch consumers... to the tune of more than 5, 10x." We find their comments particularly telling.

"I guess our view on it is that this is a change that is a challenge for the industry broadly. We have been putting a lot of effort into it from early on... We think we're actually coming out in a better position strategically, and many and others will not."

Conclusion

LendingTree is already on tenuous footing, with a debt-laden balance sheet full of high-cost, covenant-heavy debt. We believe the Company has avoided a proper discussion of both its litigation and regulatory risks because their collective impact could prove existential. We are short and believe shares are headed lower.