

respective advantage. After being tipped, Ricks, Woody, Mead, and Dipietro all purchased shares of LendingTree on the basis of this material, nonpublic information which they knew, or should have known, Anderson provided in violation of his fiduciary duty to LendingTree. After the Announcement, the price of LendingTree stock soared, and Anderson's tippees, together, realized approximately \$220,000 in ill-gotten gains and/or profits.

2. By virtue of their conduct, Defendants violated the antifraud provisions of the Securities Exchange Act of 1934 (the "Exchange Act") (Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]). Unless enjoined, Defendants are likely to commit such violations again in the future.

JURISDICTION AND VENUE

3. This Court has jurisdiction over this matter pursuant to Exchange Act Sections 21(d)(1), 21(e), 21A, and 27 [15 U.S.C. §§ 78u(d)(1), (e), 78u-1, and 78aa]. Defendants directly or indirectly, made use of the means or instrumentalities of interstate commerce or the mails in connection with the conduct alleged herein.

4. Venue is proper because certain acts or transactions constituting the violations occurred within this judicial district.

DEFENDANTS

5. David N. Anderson, age 40, resides in Charlotte, North Carolina. During the relevant time period, Anderson was LendingTree's Senior Vice President of New Business Development. Anderson is currently the Senior Vice President and General Manager of LendingTree settlement services.

6. Nancy C. Dipietro, age 39, resides in Centreville, Virginia. During the relevant time period, Dipietro was a systems consultant for American Management Systems (“AMS”), a management and consulting firm to the government, financial services, and communications industries.

OTHER RELEVANT PERSONS

7. Michael J. Ricks, age 32, resides in North Salt Lake, Utah. During the relevant period, Ricks was employed by LendingTree as the Senior Director of Strategy and Sales. On January 14, 2005, the District Court for the Western District of North Carolina entered a final judgment against Ricks, which among other things, enjoined Ricks from violating the antifraud provisions of the federal securities laws and ordered disgorgement, prejudgment interest and a civil penalty based upon ill-gotten gains and/or profits from illegal insider trading.

8. John H. Woody, age 30, resides in Highlands Ranch, Colorado. During the relevant period, Woody was employed by LendingTree as the Senior Director of Sales and Product Management. On January 14, 2005, the District Court for the Western District of North Carolina entered a final judgment against Woody, which among other things, enjoined Woody from violating the antifraud provisions of the federal securities laws and ordered disgorgement, prejudgment interest and a civil penalty based upon ill-gotten gains and/or profits from illegal insider trading.

9. Mark P. Mead, age 36, resides in Charlotte, North Carolina. During the relevant period, Mead was employed by LendingTree as the Vice President of National Accounts. On January 14, 2005, the District Court for the Western District of North Carolina entered a final judgment against Mead, which among other things, enjoined Mead from violating the antifraud provisions of the federal securities laws and ordered disgorgement, prejudgment interest and a civil penalty based upon ill-gotten gains and/or profits from illegal insider trading.

RELEVANT ENTITIES

10. LendingTree was a Delaware corporation, headquartered in Charlotte, North Carolina, that provided an online network where participating lenders competed for consumer-credit requests. At all relevant times, LendingTree's common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. §78k(g)], and quoted on the Nasdaq National Market System. On August 8, 2003, InterActiveCorp, formerly known as USA Interactive, completed its acquisition of LendingTree. LendingTree is now a subsidiary of InterActiveCorp.

11. USA Interactive was a Delaware corporation with its executive offices in New York, New York, that operates through its subsidiaries as a diversified media and electronic commerce company. At all relevant times, USA Interactive's common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. §78k(g)], and quoted on the Nasdaq National Market System. On June 23, 2003, USA Interactive changed its name to InterActiveCorp.

STATEMENT OF FACTS

Background

12. On December 20, 2002, the Chief Executive Officer ("CEO") of USA Interactive, and other members of the senior management of USA Interactive, met with the CEO of LendingTree, as well as members of LendingTree's senior management, at LendingTree's headquarters to discuss business transactions between the two companies.

13. In February 2003, senior management of LendingTree and USA Interactive began to discuss a possible merger of the two companies.

14. As a result of ongoing negotiations, on April 16, 2003, LendingTree's Board of Directors accepted a tentative offer from USA Interactive pursuant to which USA Interactive would exchange shares of its common stock for each outstanding share of LendingTree's common stock.

15. Over the next two to three weeks, USA Interactive completed due diligence and the companies worked on finalizing the terms of the merger, obtaining board approvals, and preparing the joint press release for the Announcement.

16. Before trading opened on Monday, May 5, 2003, LendingTree and USA Interactive announced that the two companies had signed a binding merger agreement whereby USA Interactive agreed to exchange .6199 shares of its common stock for each outstanding share of LendingTree's common stock. The exchange effectively valued LendingTree stock at \$21.67 per share – a substantial premium over the \$14.69 per share closing price of LendingTree on May 2, 2003.

17. Following the Announcement, LendingTree's stock opened at \$21.30 per share -- up more than 44% -- from its previous trading day's closing price of \$14.69. LendingTree's stock reached a high of \$21.36 that day, closing at \$20.72 on extremely heavy volume.

Anderson's Fiduciary Duty

18. At all relevant times, Anderson was an employee and officer of LendingTree and therefore owed a fiduciary duty, or other duty arising out of a relationship of trust and confidence, to LendingTree and its shareholders. As such, Anderson had a fiduciary duty, among other things, not to improperly use or disclose material, nonpublic information learned in the course of his employment at LendingTree.

LendingTree's Insider Trading Policy

19. Over the course of his employment at LendingTree, Anderson was provided with copies of LendingTree's policies on insider trading and the protection of confidential information (as well as revisions and updates to those policies). Anderson repeatedly signed affirmations acknowledging that he had read, understood, and agreed to comply with those policies.

20. LendingTree's insider trading policy prohibited employees from, among other things, disclosing material, nonpublic information. Furthermore, the policy defined information as "material" to include those circumstances where a "reasonable investor would consider it important in arriving at a decision to buy, sell, or hold securities." In fact, the LendingTree insider trading policy specifically identified news of a proposed acquisition as an illustrative example of material, nonpublic information.

21. Consequently, Anderson understood that as an employee of a public company, he was prohibited from improperly using or disclosing to others material, nonpublic information concerning LendingTree.

Anderson Is informed of the Pending Acquisition

22. On or before Monday, April 21, 2003, Anderson, a member of LendingTree's senior management, was brought into the inner circle of senior executives involved in the acquisition process and advised by LendingTree's Chief Financial Officer ("CFO") that LendingTree and USA Interactive were involved in acquisition negotiations, and that USA Interactive was going to conduct due diligence of LendingTree on April 23rd and April 24th. The CFO instructed Anderson not to discuss the pending acquisition with anyone. Anderson knew, or was reckless in not knowing, that information related to the acquisition negotiations was material, nonpublic information.

23. Over the next two weeks, Anderson participated in senior management meetings where material, nonpublic information concerning the acquisition was discussed. On Thursday, April 24, 2003, Anderson attended a senior management meeting at which the timing and pricing of the deal was discussed. On Thursday, May 1, 2003, Anderson attended another senior management meeting where the acquisition terms were further discussed.

The Relationship Between Anderson and His Tippees

24. At all relevant times, Anderson, Ricks, Woody, and Mead were friends and colleagues. In the late 1990s, Anderson, Ricks, and Woody came to know one another while working at AMS. Over the course of Ricks' employment at AMS, he provided consulting services to Freddie Mac where he befriended Mead. At that time, Mead was a Senior Project Manager for Freddie Mac. In March 1999, Anderson was hired by LendingTree to manage its New Business Development Group. Thereafter, Anderson assisted Ricks and Woody in obtaining positions at LendingTree where they reported to Anderson. In October 1999, Mead also obtained employment at LendingTree.

25. While working at AMS, Anderson and his wife, who was also an AMS employee, befriended Dipietro, an AMS systems consultant, and her family. The friendship between the Andersons and Dipietros continued after Anderson left AMS and began working at LendingTree.

Anderson Tips Ricks, Woody, and Mead

26. On or around Monday, April 21, 2003, after Anderson was informed of the acquisition negotiations and instructed not to discuss the matter with anyone, Anderson, in breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, told Woody that USA Interactive was going to interview all of LendingTree's senior management

at the Ballantyne Resort in Charlotte, North Carolina, as part of due diligence for a possible merger between LendingTree and USA Interactive.

27. On or around Thursday, April 24, 2003, following Anderson's interview at the Ballantyne Resort, Ricks and Woody approached Anderson and asked him if LendingTree was going to be acquired. Anderson, in further breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, told them that LendingTree and USA Interactive were in active negotiations.

28. Shortly thereafter, Ricks and Woody transmitted account modification forms to their respective online brokers to obtain clearance to purchase options. Ricks received approval from his online broker to trade options, but Woody's request was denied.

29. On or about Wednesday, April 30, 2003, Anderson stopped by Woody's cubicle and asked him to accompany him to get coffee. Anderson, Woody, and another LendingTree colleague left the LendingTree offices to get coffee. During the ride to the coffee shop, Anderson, in further breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, informed them of the progress of the acquisition negotiations with USA Interactive.

30. On Thursday, May 1, 2003, following a senior management meeting that Anderson attended where the status of the pending acquisition was discussed, Anderson and Woody played golf with a potential client at the Ballantyne Resort. During the golf round, Anderson received several telephone calls. Following the round of golf, Anderson, again in breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, told Woody that the acquisition of LendingTree was going to happen at a price of about \$20.00 a share.

31. Later that same day, at approximately 6:30 p.m., Mead called Anderson. During that conversation Anderson, in further breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, told Mead that LendingTree's board of directors was close to accepting an acquisition offer from USA Interactive, and that LendingTree would be acquired for approximately \$20.00 a share. At approximately 7:53 p.m. that same evening, Anderson, in breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, called Ricks and told him that the acquisition was going to occur.

32. There was no legitimate corporate purpose for Anderson to have provided this material, nonpublic information concerning the acquisition to Ricks, Woody, or Mead, each of whom could reasonably have been expected to use this information to their respective advantage.

33. On Wednesday, April 30, 2003, after having learned of the pending acquisition from Anderson and while in possession of this material, nonpublic information, Ricks purchased 25 out-of-the-money LendingTree call option contracts in his Ameritrade account with June expiration dates and strike prices of \$15.00. These options would allow Ricks to purchase 2500 shares (100 shares per option) of LendingTree common stock at \$15.00 per share prior to the June expiration date.

34. On Thursday, May 1, 2003, at approximately 10:22 a.m., Woody, while in possession of material, nonpublic information relating to the acquisition, placed an online limit order (an order to buy a stated number of shares at or lower than a stated price) to purchase 5,000 shares of LendingTree at \$13.84 in his E*Trade account. This order expired without execution because the price never dropped to the limit order's stated price. Following the round of golf with Anderson on May 1st, at 7:30 p.m. Woody submitted a market order (an order to buy a stated number of shares at the most advantageous

price obtainable at the time the order is entered) to purchase 5,000 shares of LendingTree in his E*Trade account. At this time, Woody submitted a market order instead of another limit order because of the additional material, nonpublic information concerning the pending acquisition that Anderson had provided to him immediately following the round of golf. His 5,000 share market order was filled on May 2nd at 9:30 a.m., at \$14.80 a share, for a total purchase price of \$74,000.

35. On the morning of May 2, 2003, after having spoken with Anderson about the pending acquisition the evening before, Ricks and Woody also submitted six limit orders in Ricks' Ameritrade account, purchasing a total of 200 out-of-the-money LendingTree call option contracts with May expiration dates and strike prices of \$15.00. Woody entered these orders in Ricks' Ameritrade account, because Ricks was unavailable. Woody also purchased in Ricks' account 1,000 shares of LendingTree.

36. The next morning, after receiving the material, nonpublic information concerning the pending acquisition from Anderson on the evening of May 1, 2003, Mead purchased LendingTree securities in two separate accounts. In his Merrill Lynch account, Mead entered six online orders, purchasing a total of 3,400 shares of LendingTree for a total price of \$51,021.52. In his Ameritrade account, Mead entered four market orders and one limit order, purchasing a total of 6,800 shares of LendingTree for a total price of \$100,191.65.

37. As a result of their illegal insider trading on the basis of material, nonpublic information, Ricks obtained profits and/or ill-gotten gains of \$62,102.50, Woody obtained profits and/or ill-gotten gains of \$86,612.50, and Mead obtained profits and/or ill-gotten gains of \$62,756.00.

Anderson Tips Dipietro

38. On Wednesday, April 30, 2006, the same day that Anderson updated Woody on the status of the acquisition negotiations, Anderson tried to reach Dipietro at her home telephone and then on her

cellular telephone, around 6:00 p.m. At approximately 6:03 p.m., Dipietro, from her cellular telephone, returned Anderson's call, and they spoke for approximately 9 minutes. During the telephone conversation, Anderson, in breach of his fiduciary duty, or other duty arising out of a relationship of trust and confidence that Anderson owed Lending Tree, tipped Dipietro with material, nonpublic information concerning the pending acquisition. Dipietro reasonably could have been expected to use this information to her advantage.

39. That evening, after returning home and while in possession of this material, nonpublic information which she knew, or should have known, Anderson provided to her in violation of his fiduciary duty to LendingTree, Dipietro placed an online market order in her Charles Schwab account to purchase 650 shares of LendingTree. This order was filled on Thursday, May 1st, at \$13.99 a share, for a total purchase price of \$9,093.50. This was Dipietro's first purchase of LendingTree securities in over 3 years.

40. On Thursday, May 1, 2003, after Anderson had provided updates about the pending acquisition to Woody and Mead, and before Anderson spoke to Ricks about the acquisition at 7:53 p.m., Anderson called Dipietro's cellular telephone at 7:39 p.m. They spoke for approximately 9 minutes. During the telephone conversation, Anderson, in breach of his fiduciary duty to Lending Tree provided Dipietro with additional material, nonpublic information concerning the pending acquisition.

41. Later that evening and while in possession of this material, nonpublic information which she knew, or should have known, Anderson provided to her in violation of his fiduciary duty to LendingTree, Dipietro submitted an online market order in her Charles Schwab account to purchase an additional 480 shares of LendingTree. This order was executed the following morning, May 2, 2003, at \$14.80 a share, for a total purchase price of \$7,104.

42. On Sunday, May 4, 2003, at approximately 9:17 p.m., while in possession of the material, nonpublic information regarding the acquisition which she knew, or should have known, Anderson provided to her in violation of his fiduciary duty to LendingTree, Dipietro placed an online market order in her Charles Schwab account to purchase an additional 6,000 shares of LendingTree. This was the largest order she had ever placed in LendingTree stock. On Monday, May 5, 2003, at approximately 7:55 a.m., about one hour before the Announcement, Dipietro cancelled this market order, changing it instead to a limit order to purchase 6,000 shares of LendingTree at a limit price of \$14.75 a share, which was \$.06 a share higher than the last closing price of \$14.69 a share. Dipietro changed her order to a limit order to protect herself from a sharp increase in the price of LendingTree common stock which could have occurred before her order was executed if LendingTree announced the acquisition before the market opened. This limit order was never executed because the acquisition was announced before the market opened, and the opening price of LendingTree stock that day -- \$21.30 -- exceeded the price in Dipietro's limit order.

43. On Monday, May 5, 2003, immediately following the Announcement, Dipietro sold all of her LendingTree shares for a total price of \$24,092.90, realizing profits of \$7,895.40.

CLAIM FOR RELIEF

Insider Trading

Violations of Exchange Act Section 10(b) [15 U.S.C. §78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. §240.10b-5]

44. Paragraphs 1 through 43 are realleged and incorporated by reference.

45. Until the acquisition agreement between LendingTree and USA Interactive was publicly announced on the morning of May 5, 2003, information concerning the pending acquisition was both material and nonpublic. At all relevant times, Anderson knew, or was reckless in not knowing, that the

information concerning the pending acquisition of LendingTree was material, confidential, and nonpublic.

46. In breach of a duty of trust and confidence that he owed LendingTree, Anderson disclosed the material, nonpublic information concerning the pending acquisition to his friends, Ricks, Woody, Mead, and Dipietro for his, direct or indirect, personal benefit, each of whom could reasonably have been expected to use this information to their respective advantage.

47. When Dipietro purchased shares of LendingTree common stock, she knew, or should have known, that Anderson had conveyed material, nonpublic information to her in breach of a duty of trust and confidence, that Anderson owed to LendingTree.

48. By reason of the foregoing, and in connection with the above-described purchases of LendingTree common stock, Defendants violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests this Court enter a final judgment that:

A. permanently enjoins Defendants from violating Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

B. orders Defendants to disgorge, with prejudgment interest, all illicit profits realized from Dipietro's above-described conduct;

C. orders Defendants to pay civil monetary penalties pursuant to Exchange Act Section 21A [15 U.S.C. § 78u-1];

D. bars Anderson from serving as an officer or director of any publicly traded company pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u]; and

E. grants such other and further relief as the Court deems just and appropriate.

Respectfully submitted,



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