

LendingTree stock soared, and Lawrence and Tippee B sold their shares realizing unlawful profits of \$2,109 and \$12,420, respectively.

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

4. Defendants directly and indirectly, made use of the means and instrumentalities of interstate commerce and the mails in connection with the conduct alleged herein.

THE DEFENDANTS

5. Brian G. Paquette, age 36, resides in New Jersey. During the relevant period, Paquette was LendingTree’s Vice President of Product Management.

6. William G. Lawrence, age 38, resides in Huntersville, North Carolina. During the relevant period, Lawrence was LendingTree’s Senior Director of HE Product Management.

RELEVANT ENTITIES

7. 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 named USA Interactive, completed its acquisition of LendingTree. LendingTree is now a subsidiary of InterActiveCorp.

8. USA Interactive is 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

9. 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 Executive Committee, at LendingTree's headquarters to discuss business transactions between the two companies.

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

11. As a result of ongoing negotiations, LendingTree accepted a tentative offer from USA Interactive on April 16, 2003. That day, 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.

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

13. 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.

14. 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.

LendingTree's Insider Trading Policy

15. Over the course of their employment at LendingTree, Defendants were 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). Defendants were asked to sign affirmations acknowledging that they had read, understood, and agreed to comply with those policies – and Defendants did execute such affirmations repeatedly.

16. LendingTree's insider trading policy prohibited, among other things, employees from trading in LendingTree securities, while in possession of “material, non-public 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. Moreover, the policy prohibited employees from using any proprietary, confidential, or nonpublic information of any kind acquired as a result of their association with LendingTree.

17. Consequently, Defendants understood that as employees of a public company, they were prohibited from trading while in possession of material, non-public information and from otherwise improperly using such information.

The Relationship Between Paquette, Lawrence, and Tippee B

18. Paquette, Lawrence, and Tippee B were friends and business associates. In 1988, Paquette enrolled at Bryant College where he befriended and roomed with Tippee B. After graduating from college, Paquette and Tippee B remained close friends and both eventually resided in the Charlotte, North Carolina area. In June 2002, Paquette went to work for LendingTree, where he met and worked with Lawrence in the company's Product Management Group. By late April 2003, after Paquette was promoted to Vice President of Product Management, Lawrence reported directly to Paquette.

19. Paquette, Lawrence, and Tippee B had private business dealings. In 2002, Tippee B co-founded a hair salon franchise business, in which Paquette and Lawrence became investors. Moreover, in April 2003, Paquette, Lawrence, and another LendingTree colleague formed a company, PLP Partners, LLC ("PLP"), to make commercial real estate investments. In May 2003, Tippee B referred to PLP a commercial real estate investment opportunity, a shopping center in Scottsdale, Arizona, which PLP ultimately purchased.

Paquette Learns of the Pending Merger and Tips Lawrence and Tippee B

20. On the evening of May 1, 2003, Paquette learned from other LendingTree executives that LendingTree was going to be acquired by USA Interactive and that the purchase price would be approximately \$20 or \$21 a share.

21. Shortly after learning about LendingTree's pending acquisition, Paquette called both Lawrence and Tippee B that evening and told each of them this material, nonpublic information concerning the pending acquisition.

22. There was no legitimate corporate purpose for Paquette to disclose this material, nonpublic information to either Lawrence or Tippee B. Rather, Paquette tipped Lawrence and Tippee B, in breach of his duty of trust and confidence he owed LendingTree and its shareholders, because they were friends and outside business associates.

Lawrence and Tippee B Trade on Inside Information Obtained from Paquette

23. Within hours of learning about the acquisition from Paquette on the evening of May 1, 2003, Lawrence submitted an on-line order in his brokerage account to purchase 300 shares of LendingTree. When the market opened on May 2, 2003, Lawrence's order was filled at \$14.80 per share, for a total purchase price of \$4,440.

24. On May 2, 2003, after learning of the pending acquisition the evening before from Paquette, Tippee B called his broker and placed an order to purchase 1,500 shares of LendingTree in his IRA account, and 500 shares of LendingTree in his brokerage account. Tippee B's orders were filled at \$14.80 per share, for a total purchase price of \$29,600.

25. On May 5, 2003, immediately following the Announcement, Tippee B sold his LendingTree shares at an average sale price of approximately \$21 per share, realizing trading profits of approximately \$12,420.

26. On May 27, 2003, approximately three weeks after the Announcement, Lawrence sold his LendingTree shares at a sale price of \$21.83 per share, realizing profits of approximately \$2,109.

CLAIM FOR RELIEF

Insider Trading

Violations of Exchange Act Section 10(b) and Exchange Act Rule 10b-5

27. Paragraphs 1 through 26 are realleged and incorporated by reference.
28. 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.
29. On May 1, 2003, for his personal benefit, Paquette, an employee of LendingTree, breached his fiduciary duty to LendingTree and its shareholders by improperly tipping Lawrence and Tippee B material, nonpublic information concerning the pending acquisition of LendingTree by USA Interactive.
30. Paquette and Lawrence knew, or were reckless in not knowing, that the information concerning the pending acquisition was both material and nonpublic.
31. On May 2, 2003, while in possession of material, nonpublic information concerning the pending acquisition of LendingTree by USA Interactive, Lawrence, an employee of LendingTree, purchased shares of LendingTree stock, in breach of his fiduciary duty to LendingTree and its shareholders.
32. On May 2, 2003, while in possession of material, nonpublic information concerning the pending acquisition of LendingTree by USA Interactive, Tippee B purchased 2,000 shares of LendingTree.

33. By reason of the foregoing, and in connection with the above-described purchases of LendingTree 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 that this Court enter a judgment that:

- (i) permanently enjoins Paquette and Lawrence 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];
- (ii) orders Lawrence to disgorge, with prejudgment interest, all illicit profits realized from the above-described trading in LendingTree stock;
- (iii) orders Paquette and Lawrence to pay civil monetary penalties pursuant to Exchange Act Section 21A [15 U.S.C. § 78u-1]; and
- (iv) grants such other and further relief as the Court deems just and appropriate.

Dated: September 22, 2005

Respectfully submitted,

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