LendingTree, Inc.
Form 10-Q
August 05, 2015

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2015
Or
o 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	26-2414818
(State or other jurisdiction of incorporation or organization)	(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 ý No o
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 ý No o
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 filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 30, 2015, there were 11,528,295 shares of the Registrant's common stock, par value $.01 per share, outstanding, excluding treasury shares.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, except per share amounts)			
Revenue	$55,136	$42,144	$106,071	$82,180
Costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	1,991	1,895	3,966	3,560
Selling and marketing expense	36,877	28,964	69,714	56,413
General and administrative expense	7,039	5,478	14,267	11,611
Product development	2,390	1,826	4,563	3,758
Depreciation	717	946	1,371	1,701
Amortization of intangibles	37	27	99	55
Restructuring and severance	388	23	394	225
Litigation settlements and contingencies	(1,078)	385	(796)	8,092
Total costs and expenses	48,361	39,544	93,578	85,415
Operating income (loss)	6,775	2,600	12,493	(3,235)
Other income (expense), net:				
Interest expense	(64)	—	(62)	—
Income (loss) before income taxes	6,711	2,600	12,431	(3,235)
Income tax (expense) benefit	(272)	83	(579)	84
Net income (loss) from continuing operations	6,439	2,683	11,852	(3,151)
Loss from discontinued operations, net of tax	(1,717)	(2,931)	(1,943)	(3,505)
Net income (loss) and comprehensive income (loss)	$4,722	$(248)	$9,909	$(6,656)
Weighted average shares outstanding:				
Basic	11,382	11,214	11,343	11,178
Diluted	12,334	11,849	12,257	11,178
Income (loss) per share from continuing operations:				
Basic	$0.57	$0.24	$1.04	$(0.28)
Diluted	$0.52	$0.23	$0.97	$(0.28)
Loss per share from discontinued operations:				
Basic	$(0.15)	$(0.26)	$(0.17)	$(0.31)
Diluted	$(0.14)	$(0.25)	$(0.16)	$(0.31)
Net income (loss) per share:				
Basic	$0.41	$(0.02)	$0.87	$(0.60)
Diluted	$0.38	$(0.02)	$0.81	$(0.60)

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

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LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2015	December 31, 2014
	(in thousands, except par value and share amounts)	
ASSETS:		
Cash and cash equivalents	$92,967	$ 86,212
Restricted cash and cash equivalents	18,622	18,716
Accounts receivable (net of allowance of $504 and $349, respectively)	20,516	13,611
Prepaid and other current assets	1,097	931
Current assets of discontinued operations	259	189
Total current assets	133,461	119,659
Property and equipment (net of accumulated depreciation of $14,408 and $14,810, respectively)	6,683	5,257
Goodwill	3,632	3,632
Intangible assets, net	11,042	11,141
Other non-current assets	101	102
Non-current assets of discontinued operations	—	100
Total assets	$154,919	$ 139,891
LIABILITIES:		
Accounts payable, trade	$2,648	$ 1,060
Accrued expenses and other current liabilities	28,394	25,521
Current liabilities of discontinued operations (Note 13)	13,670	12,055
Total current liabilities	44,712	38,636
Other non-current liabilities	119	—
Deferred income taxes	4,738	4,738
Non-current liabilities of discontinued operations	31	151
Total liabilities	49,600	43,525
Commitments and contingencies (Notes 9 and 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock $.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock $.01 par value; 50,000,000 shares authorized; 12,990,402 and 12,854,517 shares issued, respectively, and 11,516,875 and 11,386,240 shares outstanding, respectively	130	129
Additional paid-in capital	909,012	909,751
Accumulated deficit	(788,262)	(798,171)
Treasury stock 1,473,527 and 1,468,277 shares, respectively	(15,561)	(15,343)
Total shareholders' equity	105,319	96,366
Total liabilities and shareholders' equity	$154,919	$ 139,891

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

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LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

		Common Stock				Treasury Stock	
	Total	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Number of Shares	Amount
	(in thousands)						
Balance as of December 31, 2014	$96,366	12,855	$129	$909,751	$ (798,171)	1,468	$(15,343)
Net income and comprehensive income	9,909	—	—	—	9,909	—	—
Non-cash compensation	4,393	—	—	4,393	—	—	—
Purchase of treasury stock	(218)	—	—	—	—	5	(218)
Dividends	(11)	—	—	(11)	—	—	—
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	(5,328)	135	1	(5,329)	—	—	—
Tax benefit from stock-based award activity	208	—	—	208	—	—	—
Balance as of June 30, 2015	$105,319	12,990	$130	$909,012	$ (788,262)	1,473	$(15,561)

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

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LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2015	2014
	(in thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net income (loss) and comprehensive income (loss)	$9,909	$(6,656)
Less: Loss from discontinued operations, net of tax	1,943	3,505
Income (loss) from continuing operations	11,852	(3,151)
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	38	52
Amortization of intangibles	99	55
Depreciation	1,371	1,701
Non-cash compensation expense	4,393	3,073
Deferred income taxes	—	(1)
Excess tax benefit from stock-based award activity	(208)	—
Bad debt expense	176	143
Changes in current assets and liabilities:		
Accounts receivable	(7,081)	(813)
Prepaid and other current assets	(165)	(399)
Accounts payable, accrued expenses and other current liabilities	4,450	1,107
Income taxes payable	202	576
Other, net	75	(161)
Net cash provided by operating activities attributable to continuing operations	15,202	2,182
Cash flows from investing activities attributable to continuing operations:		
Capital expenditures	(2,707)	(2,039)
Acquisition of a business	(37)	(530)
Decrease in restricted cash	94	3,973
Net cash (used in) provided by investing activities attributable to continuing operations	(2,650)	1,404
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	(5,294)	(3,237)
Excess tax benefit from stock-based award activity	208	—
Purchase of treasury stock	(218)	(1,470)
Dividends	(76)	(140)
Net cash used in financing activities attributable to continuing operations	(5,380)	(4,847)
Total cash provided by (used in) continuing operations	7,172	(1,261)
Net cash used in operating activities attributable to discontinued operations	(417)	(2,788)
Total cash used in discontinued operations	(417)	(2,788)
Net increase (decrease) in cash and cash equivalents	6,755	(4,049)
Cash and cash equivalents at beginning of period	86,212	91,667
Cash and cash equivalents at end of period	$92,967	$87,618

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

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 loan 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 loans and lines of credit, reverse mortgages, personal loans, auto loans, student loans, credit cards, small business loans and other related offerings. The Company seeks to primarily 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 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.

Discontinued Operations

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. 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 13—Discontinued Operations for additional information.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014, respectively, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's financial position for the periods presented. The results for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015, or any other period. The accompanying consolidated balance sheet as of December 31, 2014 was derived from audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2014 (the "2014 Annual Report"). The accompanying consolidated financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. Accordingly, they should be read in conjunction with the audited financial statements and notes thereto included in the 2014 Annual Report.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

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.

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 June 30, 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 marketplace 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.

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 services, the Company's 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.

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.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 will be effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted. The Company does not expect this ASU to have an impact on its consolidated financial statements.

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 the 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 adopt early.

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3—RESTRICTED CASH

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

	June 30, 2015	December 31, 2014
Cash in escrow for surety bonds [a]	$2,453	$2,453
Cash in escrow for corporate purchasing card program	—	100
Cash in escrow from sale of LendingTree Loans [b]	16,107	16,106
Other	62	57
Total restricted cash and cash equivalents	$18,622	$18,716

(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) Home Loan Center, Inc. ("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 LendingTree Loans business in the second quarter of 2012.

NOTE 4—GOODWILL AND INTANGIBLE ASSETS

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

	June 30, 2015	December 31, 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	900	999
Total intangible assets, net	$11,042	$11,141

Goodwill and Indefinite-Lived Intangible Assets

The Company's goodwill is associated with its one reportable segment, lending. Intangible assets with indefinite lives relate to the Company's trademarks.

Intangible Assets with Definite Lives

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

	Cost	Accumulated Amortization	Net
Customer lists	$1,049	$(149)	$900
Other	1,087	(1,087)	—
Balance at June 30, 2015	$2,136	$(1,236)	$900

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Cost	Accumulated Amortization	Net
Customer lists	$1,049	$(50)	$999
Other	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 June 30, 2015, future amortization is estimated to be as follows (in thousands):

	Amortization Expense
Remainder of current year	$50
Year ending December 31, 2016	100
Year ending December 31, 2017	100
Year ending December 31, 2018	100
Year ending December 31, 2019	100
Thereafter	450
Total intangible assets with definite lives, net	$900

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. During the first quarter of 2015, the Company reduced its estimated contingent consideration by $0.1 million, which is included in general and administrative expense in the accompanying consolidated statements of operations and comprehensive income.

NOTE 5—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	June 30, 2015	December 31, 2014
Accrued litigation liabilities	$636	$2,786
Accrued advertising expense	15,451	11,170
Accrued compensation and benefits	3,503	2,666
Accrued professional fees	661	337
Accrued restructuring costs	19	178
Customer deposits and escrows	4,634	4,560
Deferred rent	—	162
Other	3,490	3,662
Total accrued expenses and other current liabilities	$28,394	$25,521

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6—SHAREHOLDERS' EQUITY

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average basic common shares	11,382	11,214	11,343	11,178
Effect of stock options	806	461	758	—
Effect of dilutive share awards	146	174	156	—
Weighted average diluted common shares	12,334	11,849	12,257	11,178

For the six months ended June 30, 2014, 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 the period. For the six months ended June 30, 2014, approximately 0.7 million shares related to potentially dilutive securities were excluded from the calculation of diluted loss per share, because their inclusion would have been anti-dilutive. For the three months ended June 30, 2014, less than 0.1 million shares related to potentially dilutive securities were excluded from the calculation of diluted earnings per share, because their inclusion would have been anti-dilutive. No potentially dilutive securities were excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2015.

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 three and six months ended June 30, 2015, the Company purchased 0 and 5,250 shares, respectively, of its common stock pursuant to this stock repurchase program. At June 30, 2015, approximately $7.3 million remains authorized for share repurchase.

NOTE 7—STOCK-BASED COMPENSATION

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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of revenue	$24	$7	$44	$13
Selling and marketing expense	385	226	655	459
General and administrative expense	1,125	928	2,731	1,989
Product development	385	260	825	576
Restructuring and severance	138	—	138	36
Total non-cash compensation	$2,057	$1,421	$4,393	$3,073

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock Options

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

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value[(a)]
		(per option)	(in years)	(in thousands)
Options outstanding at January 1, 2015	2,136,679	$18.16		
Granted [(b)]	38,131	58.49		
Exercised	(128,666)	16.79		
Forfeited	(775)	53.04		
Expired	(1,339)	7.88		
Options outstanding at June 30, 2015	2,044,030	18.99	6.52	$121,867
Options exercisable at June 30, 2015	937,796	$8.63	3.97	$65,628

(a) The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price of $78.61 on the last trading day of the quarter ended June 30, 2015 and the exercise price, multiplied by the number of shares covered by in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2015. The intrinsic value changes based on the market value of the Company's common stock.

(b) During the six months ended June 30, 2015, the Company granted stock options to certain employees and the board of directors with a weighted average grant date fair value per share of $22.98, which vesting periods include (a) three years from the grant date, (b) 25% and 75% over a period of 1.67 years and 2.67 years, respectively, and (c) 2 years from the grant date.

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:

Expected term [(1)]	6.23 - 5.75 years
Expected dividend [(2)]	—
Expected volatility [(3)]	38%
Risk-free interest rate [(4)]	1.66% - 2.01%

(1) The expected term of stock options granted was calculated using the 'Simplified Method', which utilizes the 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 in 2015, 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.

(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.

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock Units and Restricted Stock
A summary of the changes in outstanding nonvested restricted stock units ("RSUs") and restricted stock is as follows:

	RSUs	
	Number of Units	Weighted Average Grant Date Fair Value (per unit)
Nonvested at January 1, 2015	351,801	$22.83
Granted	78,362	54.93
Vested	(147,880)	21.02
Forfeited	(20,458)	31.67
Nonvested at June 30, 2015	261,825	$32.77

	Restricted Stock	
	Number of Shares	Weighted Average Grant Date Fair Value (per share)
Nonvested at January 1, 2015	123,057	$23.41
Granted	—	—
Vested	(35,295)	20.62
Forfeited	—	—
Nonvested at June 30, 2015	87,762	$24.54

NOTE 8—INCOME TAXES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, except percentages)			
Income tax (expense) benefit	$(272)	$83	$(579)	$84
Effective tax rate	4.1%	3.2%	4.7%	2.6%

Tax expense for the three and six months ended June 30, 2015 is primarily comprised of the federal Alternative Minimum Tax and state taxes.
For the three and six months ended June 30, 2015 and 2014, the effective tax rates varied from the statutory rate primarily due to the existence of a valuation allowance that has been provided to offset the Company's net deferred tax asset and state taxes.
Valuation Allowance
There has been no change to the Company's valuation allowance assessment for the three and six months ended June 30, 2015.

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LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9—COMMITMENTS

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. Effective, May 2015, the Company renewed the lease for its principal executive office located in Charlotte, North Carolina.

Future minimum payments as of June 30, 2015 under operating lease agreements having an initial or remaining non-cancelable lease term in excess of one year are as follows (in thousands):

	Amount
Remainder of current year	$290
Year ending December 31, 2016	1,217
Year ending December 31, 2017	1,036
Year ending December 31, 2018	995
Year ending December 31, 2019	1,025
Thereafter	1,055
Total	$5,618

NOTE 10—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 10, 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 June 30, 2015 and December 31, 2014, the Company had a litigation settlement accrual for its continuing operations of $0.6 million and $2.8 million, respectively. The litigation 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 US 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 defense 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 attorney's 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.; appellate briefs have not yet been filed.

Internet Patents Corp.

Internet Patents Corporation f/k/a InsWeb v. Tree.com, Inc., No. C-12-6505 (U.S. Dist. Ct., N.D. Cal.). In December 2012, the plaintiff filed a patent infringement lawsuit against the Company seeking a judgment that it had infringed a patent held by the plaintiff. Process was formally served with respect to this matter in April 2013. The plaintiff sought injunctive relief, damages, costs, expenses, pre- and post-judgment interest, punitive damages and attorneys' fees. The plaintiff alleged that the Company infringed upon U.S. Patent No. 7,707,505, entitled "Dynamic Tabs for a Graphical User Interface". On October 25, 2013, the court dismissed the suit based on the finding that the plaintiff's claims failed as a matter of law because the asserted patent is invalid for lack of patent-eligible subject matter. The plaintiff filed a notice of appeal on November 7, 2013. In December 2013, the Company's case was consolidated with three other pending appeals involving the asserted patents. The plaintiff filed its opening appellate brief in January 2014, and the Company filed a joint appellate response brief in April 2014. A hearing on the consolidated appeals was held in August 2014. In June 2015, the dismissal of this suit was affirmed by the U.S. Court of Appeals for the Federal Circuit.

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 June 30, 2015.

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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. 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 awarded attorneys' fees to Plaintiffs consisting of one-third of the class damages award plus an additional $389,500. The judge also awarded prejudgment interest to Plaintiffs. A reserve of $3.2 million has been established for this matter in the accompanying consolidated balance sheet as of June 30, 2015, of which some or all may be covered by insurance. On July 30, 2015, the district court judge entered a final judgment order in this matter; HLC intends to renew its appeal .

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.

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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

In December 2014, HLC received a demand letter (the “Letter”) from the Bankruptcy Estate of Lehman Brothers Holdings, Inc. (“LBHI”) concerning 64 loans (the “Loans”) that LBHI alleges 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 claims that LBB subsequently sold the Loans to LBHI and that LBB assigned to LBHI its contractual rights pursuant to the LPA with respect to the Loans. LBHI now alleges that HLC breached certain representations and warranties in the LPA concerning the Loans. The Letter states that LBHI, as an assign of LBB, now seeks indemnification from HLC in accordance with the LPA for certain claims that LBHI alleges it allowed in its bankruptcy with respect to the Loans. HLC and LBHI are currently engaged in negotiations concerning the allegations made in the Letter. Should LBHI bring any actions relating to the matters alleged in the Letter, the Company intends to defend against such actions vigorously. A reserve of $0.5 million for this matter is included in the accompanying consolidated balance sheet as of June 30, 2015.

NOTE 11—SEGMENT INFORMATION

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 the Company's Lending activities. Previously reported segment results have been revised to conform to the Company's one reportable segment at June 30, 2015.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Mortgage products	$37,198	$34,667	$74,196	$68,910
Non-mortgage products	17,938	7,477	31,875	13,270
Total revenue	$55,136	$42,144	$106,071	$82,180

NOTE 12—RESTRUCTURING

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

	Continuing Lease Obligations
Balance at December 31, 2014	$178
Restructuring income	(38)
Payments	(121)
Balance at June 30, 2015	$19

The Company does not expect to incur significant additional costs related to the restructuring noted above.

NOTE 13—DISCONTINUED OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	$2	$2	$3	$4
Loss before income taxes	$(1,788)	$(2,930)	$(2,026)	$(3,501)
Income tax benefit (expense)	71	(1)	83	(4)
Net loss	$(1,717)	$(2,931)	$(1,943)	$(3,505)

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. The buyer, a wholly-owned subsidiary of Discover Financial Services ("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 June 30, 2015, $16.1 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 of such amount is expected to be released from escrow in December 2015. The escrowed amount is recorded as restricted cash at June 30, 2015.

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

An evaluation of the facts and circumstances of the transaction and the applicable accounting guidance for discontinued operations indicates that the LendingTree Loans business should be reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented. The continuing cash flows related to this transaction are not significant and, accordingly, are not deemed to be direct cash flows of the divested business.

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 June 30, 2015, approximately $16.1 million is being held in escrow pending resolution of certain of these contingent liabilities. As a result of a settlement agreement in 2014 with a secondary market purchaser of loans, $12.1 million of such amount is expected to be released from escrow in December 2015.

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 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 consolidated statements of operations and comprehensive income during the fourth quarter of 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.

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.

The Company uses a settlement discount framework for evaluating the adequacy of the reserve for loan losses. 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 $6.5 million to $11.6 million at June 30, 2015. The reserve balance recorded as of June 30, 2015 was $8.8 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Loan loss reserve, beginning of period	$8,750	$28,543	$8,750	$28,543
Provisions	—	—	—	—
Charge-offs to reserves	—	(153)	—	(153)
Loan loss reserve, end of period	$8,750	$28,390	$8,750	$28,390

The liability for losses on previously sold loans is presented as current liabilities of discontinued operations in the accompanying consolidated balance sheet as of June 30, 2015 and December 31, 2014.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These forward-looking statements also 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 or referenced in Part I, Item 1A. Risk Factors of the 2014 Annual Report.

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 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.

Company Overview

LendingTree, Inc., formerly known as Tree.com, Inc., is the parent of LendingTree, LLC and several companies owned by LendingTree, LLC.

LendingTree operates what we believe to be the leading online marketplace for consumers seeking a broad array of loan types and other credit-based offerings. We offer consumers tools and resources, including free credit scores, that help them to comparison-shop for mortgage loans, home equity loans and lines of credit, reverse mortgages, personal loans, auto loans, student loans, credit cards, small business loans and other related offerings. We primarily seek to match in-market consumers with multiple lenders on our marketplace who can provide them with competing quotes for the loans or credit-based offerings 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 loan 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, credit score analysis and an in-depth view of a consumer's credit profile. We believe this new platform will enable us to provide consumers with measurable savings opportunities over their lifetimes, as we are able to observe their credit profiles and then identify loan and credit-based opportunities on our marketplace that may be more favorable than the loans they may have at a given point in time, which we can alert them to.

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 June 30, 2015.

Seasonality

Revenue is subject to the cyclical and seasonal trends of the U.S. housing and mortgage markets. Home sales typically rise during the spring and summer months and decline during the fall and winter months, while refinancing and home equity activity

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is principally driven by mortgage interest rates as well as real estate values. However, these trends in our businesses are not absolute and there have been exceptions to them. For example, in recent periods additional factors affecting the mortgage and real estate markets have impacted customary seasonal trends.

While we have not experienced seasonality in our personal loan product, based on industry data, we anticipate that as this product matures we will experience less consumer demand during the fourth and first quarters of each year.

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.

According to Freddie Mac, since the end of 2013, 30-year fixed mortgage interest rates have generally declined, reaching a monthly average of 3.67% in January 2015, its lowest since May 2013. Since January 2015, mortgage interest rates have generally risen. On a quarterly basis, mortgage interest rates in the second quarter of 2015 averaged 3.83%, as compared to 3.72% in the first quarter of 2015 and 4.23% in the second quarter of 2014.

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Typically, as mortgage interest rates rise, there are less 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 decreased to 43% of total mortgage origination dollars in the second quarter of 2015, as a result of the rise in average mortgage interest rates.

Looking forward, MBA is projecting mortgage interest rates to climb during the remainder of 2015, to an average 4.2% on 30-year fixed rate mortgages in the third quarter of 2015 and an average 4.0% for the full-year 2015. 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 31% of the third quarter of 2015 and 41% of the full-year 2015.

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, 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. Over the last few years, the U.S. real estate market has been recovering, albeit slowly.

Despite continued indications of economic recovery, in 2014, existing home sales nationwide declined approximately 3% over 2013, according to the National Association of Realtors ("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 has continued into the first half of 2015 with existing home sales nationwide up 1% over the second half of 2014.

For the remainder of 2015, the NAR expects economic recovery to continue. Existing home sales nationwide are expected to increase approximately 5% over the first half of 2015, resulting in full-year 2015 growth of over 6%, while supporting sales price growth of approximately 7%.

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Results of Operations for the Three and Six Months ended June 30, 2015 and 2014

	Three Months Ended June 30,					Six Months Ended June 30,				
	2015	2014	$ Change	% Change		2015	2014	$ Change	% Change	
	(Dollars in thousands)									
Mortgage products	$37,198	$34,667	$2,531	7	%	$74,196	$68,910	$5,286	8	%
Non-mortgage products	17,938	7,477	10,461	140	%	31,875	13,270	18,605	140	%
Revenue	55,136	42,144	12,992	31	%	106,071	82,180	23,891	29	%
Costs and expenses:										
Cost of revenue (exclusive of depreciation shown separately below)	1,991	1,895	96	5	%	3,966	3,560	406	11	%
Selling and marketing expense	36,877	28,964	7,913	27	%	69,714	56,413	13,301	24	%
General and administrative expense	7,039	5,478	1,561							

Financing Activities

2009 Net cash used in financing activities of $23.6 million during 2009 was primarily due to $29.4 million used to repurchase 1,827,193 shares of our common stock, partially offset by $5.0 million of non-cash excess tax benefits from stock-based compensation and $0.9 million of net proceeds received from the issuance of common stock pursuant to stock option exercises.

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2008 Cash provided by financing activities of $1.2 million during the year ended December 31, 2008 was primarily due to $1.5 million of net proceeds received from the issuance of common stock pursuant to stock option exercises, partially offset by $0.6 million utilized to repurchase 50,657 shares of our common stock.

2007 Cash provided by financing activities of $6.5 million during the year ended December 31, 2007 was primarily due to $6.9 million of net proceeds received from the issuance of common stock pursuant to stock option exercises, partially offset by $0.3 million of costs paid related to our initial public offering.

Future Needs

We believe that cash generated from operations and our current cash, cash equivalents and marketable securities will be sufficient to fund our operations for at least the next twelve months. Our future capital requirements will depend on many factors, including our level of investment in technology and advertising initiatives. We currently do not have any bank debt, line of credit facilities or other borrowing arrangements. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional capital through public or private equity or debt financing to the extent such funding sources are available.

Contractual Obligations and Commitments

The following table presents a summary of our future minimum payments under non-cancellable operating lease agreements and certain contractual obligations and commitments as of December 31, 2009 (in thousands):

Years Ending December 31,	Operating Lease Obligations	Capital Lease Obligations	Service and Licensing Obligations	Total Obligations
2010	$ 2,919	$ 57	$ 462	$ 3,438
2011	2,454	57	260	2,771
2012	2,036	14		2,050
2013	239			239
2014	206			206
Total	$ 7,854	$ 128	$ 722	$ 8,704

Operating Lease Obligations

We lease certain of our office, operating facilities, equipment and furniture and fixtures under various operating leases, the latest of which expires in October 2014. Certain of these leases have free or escalating rent payment provisions. We recognize rent expense on our operating leases on a straight-line basis over the terms of the leases, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements.

During 2009, we extended the operating lease for our facility in San Francisco, California for an additional five years, expiring in October 2014, extended the operating leases for our headquarter facilities in Mountain View, California for an additional year, expiring in August 2010, and expanded the operating lease for our facility in China to include additional office space.

Capital Lease Obligations

In December 2008, we entered into a capital lease agreement for office equipment which expires in April 2012.

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Service and Licensing Obligations

We have entered into service and licensing agreements with third-party vendors to provide various services, including website development, website hosting, network access, data center services and software licensing. The terms of these services and licensing agreements are generally up to three years, the latest of which expires in November 2011. We record the related service and licensing expenses on a straight-line basis, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements.

As of December 31, 2009, we had unrecognized tax benefits of 3.0 million classified as other non-current liabilities in the consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audit outcomes; therefore, such amounts are not included in the above contractual obligation table.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. Additionally, we are not a party to any derivative contracts or synthetic leases.

Recently Issued Accounting Standards

See *Note 1 of Notes to Consolidated Financial Statements* for recently issued accounting standards that could have an effect on us.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

As of December 31, 2009, we had cash and cash equivalents of $131.3 million, which consisted primarily of cash and highly liquid money market instruments. We also had marketable securities of $22.2 million, which consisted primarily of U.S. government-sponsored enterprise and corporate debt securities with original maturities of more than 90 days but less than one year from the date of purchase and are available for use in current operations. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity.

The primary objective of our investment activities is to preserve principal. Some of the securities in which we invest may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we intend to maintain our portfolio of highly liquid cash equivalents and marketable securities in a variety of instruments, including money market funds, commercial paper, corporate and U.S. government-sponsored enterprise debt securities and certificates of deposit. We do not use financial instruments for trading or other speculative purposes, nor do we use leveraged financial instruments. Our investment policy limits investments to certain types of securities issued by institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issue. The policy also prohibits investing in certain types of instruments including asset-backed securities, mortgage-backed securities, collateralized bond, debt and mortgage obligations, tax exempt securities, auction rate securities and derivatives. If overall interest rates had been 10% lower during the year ended December 31, 2009, our interest income would have declined by approximately $0.1 million during that period, assuming a consistent level in our cash, cash equivalents and marketable securities, which is not material to our consolidated financial statements.

Foreign Currency Exchange Risk

To date, substantially all of our revenue has been derived from transactions denominated in United States Dollars. We have exposure to adverse changes in exchange rates associated with operating expenses of our foreign operations, which are denominated in Chinese Yuan Renminbi. Foreign currency fluctuations have not had a material impact historically on our results of operations; however, there can be no assurance that future fluctuations will not have material adverse effects on our results of operations. We have not engaged in any foreign currency hedging or other derivative transactions to date.

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Credit Risk

Our financial instruments that are exposed to concentrations of credit risk principally consist of cash, cash equivalents, marketable securities and accounts receivable. We deposit our cash, cash equivalents and marketable securities in accounts with major banks and financial institutions and such deposits are in excess of federally insured limits. As of December 31, 2008 and 2009, our cash, cash equivalent and marketable securities balances were invested in securities issued by institutions in the following industries (in thousands):

Industry	December 31, 2008	December 31, 2009
Cash	$ 4,659	$ 7,085
Money market funds (1)	89,477	124,254
Bonds, commercial paper and certificates of deposit:		
Government sector	38,003	17,891
Financial sector	12,176	3,054
Industrial sector	4,308	1,239
Utility sector	2,012	
Total cash, cash equivalents and marketable securities	$ 150,635	$ 153,523

(1) At December 31, 2008 and 2009, money market funds consisted of U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations.

At December 31, 2009, we evaluated each of our unrealized losses, all of which are from U.S. government-sponsored enterprise bonds and discount notes and corporate bonds, and determined them to be temporary. Factors we considered in determining whether unrealized losses were temporary included the length of time and extent to which each investment s fair value has been less than its cost basis, the financial condition and near-term prospects of the investee, and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

During the years ended December 31, 2007, 2008 and 2009, net unrealized gains and losses incurred on our marketable securities were not significant, and, as of December 31, 2008 and 2009, we carried immaterial net unrealized gains on our marketable securities, which are reported as a component of stockholders equity in the consolidated balance sheets and comprehensive income in the consolidated statements of income and comprehensive income. Unrealized gains and losses are the result of the change in fair value of our investments in marketable securities, primarily U.S. government-sponsored enterprise bonds and discount notes and corporate bonds, at the beginning and end of the period. We did not realize any losses on our marketable securities during the years ended December 31, 2007, 2008 and 2009.

We do not require collateral or other security for our accounts receivable. As of December 31, 2009, two carriers represented $0.9 million, or 39%, of our total accounts receivable. No other carrier represented 10% or more of our total accounts receivable. We believe the potential for collection issues with any of our carriers is minimal. Accordingly, our allowance for uncollectible amounts at December 31, 2009 was not material.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

eHealth, Inc.

We have audited the accompanying consolidated balance sheets of eHealth, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of eHealth, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, eHealth, Inc. changed its method of accounting for uncertain tax positions as of January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), eHealth, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California

March 5, 2010

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EHEALTH, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share information)

	December 31, 2008	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 94,136	$ 131,339
Marketable securities	56,499	22,184
Accounts receivable	2,005	2,295
Deferred income taxes	7,580	6,009
Prepaid expenses and other current assets	1,874	2,324
Total current assets	162,094	164,151
Property and equipment, net	4,567	3,775
Deferred income taxes	1,314	919
Other assets	780	863
Total assets	$ 168,755	$ 169,708
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 2,190	$ 3,252
Accrued compensation and benefits	4,662	5,051
Accrued marketing expenses	3,162	3,879
Deferred revenue	427	401
Other current liabilities	2,707	2,677
Total current liabilities	13,148	15,260
Other non-current liabilities	628	2,997
Commitments and contingencies (see *Note 8*)		
Stockholders equity:		
Preferred stock: $0.001 par value; Authorized shares: 10,000,000; Issued and outstanding shares: none		
Common stock: $0.001 par value; Authorized shares: 100,000,000; 25,095,389 and 25,311,085 shares issued at December 31, 2008 and 2009, respectively; and 25,040,935 and 23,416,730 shares outstanding at December 31, 2008 and 2009, respectively	25	25
Additional paid-in capital	173,095	183,747
Treasury stock shares, at cost: 54,454 and 1,894,355 at December 31, 2008 and 2009, respectively	(639)	(29,999)
Deferred stock-based compensation	(22)	
Accumulated deficit	(17,892)	(2,545)
Accumulated other comprehensive income	412	223
Total stockholders equity	154,979	151,451
Total liabilities and stockholders equity	$ 168,755	$ 169,708

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

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EHEALTH, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2007	**2008**	**2009**
Revenue:			
Commission	$ 81,502	$ 100,839	$ 119,259
Sponsorship, licensing and other	6,289	10,872	15,631
Total revenue	87,791	111,711	134,890
Operating costs and expenses:			
Cost of revenue-sharing	1,702	1,746	4,581
Marketing and advertising	29,497	42,161	53,987
Customer care and enrollment	12,137	14,379	14,769
Technology and content	12,393	14,182	15,685
General and administrative	16,046	17,983	20,028
Total operating costs and expenses	71,775	90,451	109,050
Income from operations	16,016	21,260	25,840
Interest and other income, net	5,287	3,714	938
Income before income taxes	21,303	24,974	26,778
Provision (benefit) for income taxes	(10,292)	10,806	11,431
Net income	$ 31,595	$ 14,168	$ 15,347
Comprehensive income:			
Net income	$ 31,595	$ 14,168	$ 15,347
Change in unrealized gain on marketable securities, net of taxes	58	156	(192)
Foreign currency translation adjustment	77	70	3
Total comprehensive income	$ 31,730	$ 14,394	$ 15,158
Net income per share:			
Basic	$ 1.37	$ 0.57	$ 0.63
Diluted	$ 1.22	$ 0.55	$ 0.61
Weighted average number of shares used in per share amounts:			
Basic common stock	23,092	24,963	24,309
Diluted common stock	25,797	25,954	25,201

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

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EHEALTH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Deferred Stock-Based Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders Equity
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance at December 31, 2006		$	21,749	$ 22	$ 159,576		$	$ (254)	$ (63,655)	$ 51	$ 95,740
Issuance of common stock in connection with exercise of common stock options and release of vested restricted stock units			2,940	3	6,865						6,868
Termination of employee restricted common stock awards			(2)								
Stock-based compensation related to employees					1,388						1,388
Amortization of deferred stock-based compensation, net of adjustments for terminated employees					(32)			150			118
Tax benefit for stock option transactions					50						50
Change in unrealized gain on investments, net of taxes										58	58
Foreign currency translation adjustment										77	77
Net income									31,595		31,595
Balance at December 31, 2007		$	24,687	$ 25	$ 167,847		$	$ (104)	$ (32,060)	$ 186	$ 135,894
Issuance of common stock in connection with exercise of common stock options and release of vested restricted stock units			408		1,538						1,538
Stock-based compensation related to employees					3,425						3,425
Amortization of deferred stock-based compensation, net of adjustments for terminated employees					(13)			82			69

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EHEALTH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)

(In thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Deferred Stock-Based Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders Equity
	Shares	Amount	Shares	Amount		Shares	Amount				
Tax benefit for stock option transactions					298						298
Change in unrealized gain on investments, net of taxes										156	156
Foreign currency translation adjustment										70	70
Repurchase of common stock						(54)	(639)				(639)
Net income									14,168		14,168
Balance at December 31, 2008			25,095	25	173,095	(54)	(639)	(22)	(17,892)	412	154,979
Issuance of common stock in connection with exercise of common stock options and release of vested restricted stock units			216		858						858
Stock-based compensation related to employees					4,815						4,815
Amortization of deferred stock-based compensation, net of adjustments for terminated employees								22			22
Tax benefit for stock option transactions					4,979						4,979
Change in unrealized gain on investments, net of taxes										(192)	(192)
Foreign currency translation adjustment										3	3
Repurchase of common stock						(1,840)	(29,360)				(29,360)
Net income									15,347		15,347
Balance at December 31, 2009			$ 25,311	$ 25	$ 183,747	(1,894)	$ (29,999)	$	$ (2,547)	$ 223	$ 151,451

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

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EHEALTH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2007	**2008**	**2009**
Operating activities			
Net income	$ 31,595	$ 14,168	$ 15,347
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(10,303)	9,451	9,352
Depreciation and amortization	1,709	1,863	2,211
Amortization and accretion on marketable securities, net			749
Stock-based compensation expense	1,506	3,494	4,835
Excess tax benefits from stock-based compensation	(50)	(298)	(4,979)
Deferred rent	(40)	(51)	(45)
Loss on disposal of property and equipment	30	45	16
Changes in operating assets and liabilities:			
Accounts receivable	(583)	(705)	(290)
Prepaid expenses and other current assets	(11)	64	389
Other assets	(524)	196	358
Accounts payable	308	693	1,060
Accrued compensation and benefits	958	(41)	388
Accrued marketing expenses	807	708	717
Deferred revenue	374	(9)	(26)
Other current liabilities	416	616	4
Net cash provided by operating activities	26,192	30,194	30,086
Investing activities			
Purchases of property and equipment	(1,777)	(2,482)	(1,433)
Purchase of other assets			(1,280)
Proceeds from the sale of property and equipment	14		
Purchases of marketable securities	(54,343)	(85,653)	(40,550)
Sales of marketable securities	8,952	10,120	5,006
Maturities of marketable securities	5,483	59,309	68,932
Net cash provided by (used in) investing activities	(41,671)	(18,706)	30,675
Financing activities			
Costs incurred in connection with initial public offering	(252)		
Net proceeds from exercise of common stock options	6,868	1,547	860
Repurchase of common stock		(639)	(29,360)
Excess tax benefits from stock-based compensation	50	298	4,979
Principal payments in connection with capital leases	(214)		(41)
Net cash provided by (used in) financing activities	6,452	1,206	(23,562)
Effect of exchange rate changes on cash and cash equivalents	106	47	4
Net increase (decrease) in cash and cash equivalents	(8,921)	12,741	37,203
Cash and cash equivalents at beginning of period	90,316	81,395	94,136

Cash and cash equivalents at end of period	$ 81,395	$ 94,136	$ 131,339
Supplemental disclosure of non-cash activities			
Capital lease obligations incurred (terminated)	$ (6)	$ 164	$
Supplemental disclosure of cash flows			
Cash paid for interest	$ 7	$	$ 20
Cash paid for income taxes	$ 487	$ 133	$ 2,999

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

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Business and Significant Accounting Policies

Description of Business eHealth, Inc. (the Company, eHealth, we or us) offers Internet-based insurance agency services for individuals, famili and small businesses in the United States, as well as technology licensing and Internet advertising services. Our services and technology enable individuals, families and small businesses to research, analyze, compare and purchase health insurance products from health insurance carriers across the nation. We are licensed to market and sell health insurance in all 50 states and the District of Columbia.

Principles of Consolidation The consolidated financial statements include the accounts of eHealth, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Segments We operate in one business segment. See *Note 9 Segment and Geographic Information* for additional information regarding our business segment.

Subsequent Events Evaluation We have reviewed and evaluated material subsequent events from the balance sheet date of December 31, 2009 through the date of issuance of these financial statements. No subsequent events have been identified for disclosure.

Use of Estimates The preparation of consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to, but not limited to, the useful lives of long-lived assets including property and equipment, fair value of investments, fair value of intangible assets, allowances for commission forfeitures payable to carriers, valuation allowance for deferred income taxes, provision for income taxes, our assessment whether internal use software and website development costs will result in additional functionality, estimates relating to the amortization of the initial consideration paid to Health Benefits Direct Corporation which is being recognized as cost of revenue-sharing expense and the assumptions used in determining stock-based compensation. We base our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. Actual results may differ from these estimates.

Cash Equivalents We consider all investments with an original maturity of three months or less from the date of purchase to be cash equivalents. We classify all of our cash equivalents as available-for-sale. Cash and cash equivalents are stated at fair value.

Marketable Securities We invest in accordance with a policy that seeks to preserve principal while maximizing income without significantly increasing risk. The policy limits investments to certain types of securities issued by institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issue. The policy also prohibits investing in certain types of instruments including asset-backed securities, mortgage-backed securities, collateralized bond, debt and mortgage obligations, tax exempt securities, auction rate securities and derivatives. It is our policy to review our marketable securities on at least a quarterly basis to determine if any security is not in compliance with our policy. Additionally, our investment managers are required to inform us within three business days of any credit rating downgrade resulting in non-compliance with our investment policy.

All of our marketable securities are classified as available-for-sale. Marketable securities are carried at their fair value, based on quoted market prices or other available information, with unrealized gains and losses, net of

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

taxes, reported as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets. Realized gains and losses on marketable securities are recognized in earnings as a component of interest and other income, net in the consolidated statements of income and comprehensive income. The cost of investments sold is based on the specific identification method.

We determine the appropriate classification of our investments in marketable securities at the time of purchase and reevaluate such designation at each balance sheet date. In response to changes in the availability of and the yield on alternative investments, we may sell certain securities prior to their stated maturities. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity.

It is our policy to review our marketable securities on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. Our policy includes, but is not limited to, reviewing the length of time and extent to which the fair value has been less than the cost, the financial condition and near-term prospects of the issuer, and our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for recovery of fair value. If an investment s decline in fair value is caused by factors other than changes in interest rates and is deemed to be other-than-temporary, we would reduce the investment s carrying value to its estimated fair value, as determined based on quoted market prices or other market indicators. No declines in the values of our marketable securities were judged to be other-than-temporary during the three-year period ended December 31, 2009.

See *Note 2 Balance Sheet Accounts* for additional information regarding our marketable securities.

Property and Equipment Property and equipment are stated at cost, less accumulated depreciation and amortization. Capital lease amortization expenses are included in depreciation expense in our consolidated statements of income and comprehensive income. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Computer equipment and software	3 to 5 years
Office equipment and furniture	5 years
Leasehold improvements	Lesser of useful life (typically 5 to 7 years) or related lease term

Maintenance and minor replacements are expensed as incurred.

See *Note 2 Balance Sheet Accounts* for additional information regarding our property and equipment.

Long-Lived Assets We evaluate long-lived assets for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. No long-lived assets were deemed impaired during the three-year period ended December 31, 2009.

Fair Value of Financial Instruments The carrying amounts of our financial instruments, including cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities (including accrued compensation and benefits, accrued marketing expenses and other current liabilities), approximate fair value because of their short maturities. The carrying amounts of our capital leases approximate the fair value of these obligations based upon our best estimates of interest rates that would be available for similar debt obligations at December 31, 2009.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Concentration of Credit Risk and Significant Customers Our financial instruments that are exposed to concentrations of credit risk principally consist of cash, cash equivalents, marketable securities and accounts receivable. We invest our cash, cash equivalents and marketable securities with major banks and financial institutions and, at times, such investments may be in excess of federally insured limits. As of December 31, 2008 and 2009, our cash, cash equivalent and marketable securities balances were invested in securities issued by institutions in the following industries (in thousands):

Industry	December 31, 2008	December 31, 2009
Cash	$ 4,659	$ 7,085
Money market funds (1)	89,477	124,254
Bonds, commercial paper and certificates of deposit:		
Government sector	38,003	17,891
Financial sector	12,176	3,054
Industrial sector	4,308	1,239
Utility sector	2,012	
Total cash, cash equivalents and marketable securities	$ 150,635	$ 153,523

(1) At December 31, 2008 and 2009, money market accounts invested primarily in U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations.

We do not require collateral or other security for our accounts receivable. As of December 31, 2009, two carriers represented $0.9 million, or 39%, of our total accounts receivable. No other carrier represented 10% or more of our total accounts receivable. We believe the potential for collection issues with any of our carriers is minimal. Accordingly, our allowance for uncollectible accounts at December 31, 2009 was not material.

Substantially all revenue for all years presented was generated from customers located in the United States. The following carriers (or carriers owned by them) represented 10% or more of our total revenue for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31,		
	2007	2008	2009
Aetna	11%	14%	16%
Wellpoint	18%	16%	15%
UnitedHealthcare	19%	17%	14%

Revenue attributable to individual and family product offerings in the years ended December 31, 2007, 2008 and 2009 represented approximately 85%, 88% and 91% of our commission revenue, respectively. We define individual and family product offerings as major medical individual and family health insurance plans, which does not include small business, short-term major medical, stand-alone dental, life and student health insurance product offerings.

Partnership with Health Benefits Direct Corporation In February 2009, we entered into customer transition and marketing agreements with Health Benefits Direct Corporation, or HBDC. Pursuant to these agreements, HBDC agreed to transfer certain of its existing health insurance members to us as the new broker of record on the underlying policies and agreed to refer future health insurance prospects to us. We paid HBDC initial consideration of $1.3 million, which is being amortized to cost of revenue-sharing expense as we recognize commission revenue related to the transferred members. In addition, we agreed to pay HBDC a

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

percentage of the commission revenue we receive on the transferred policies, as well as a percentage of the future commission revenue we receive on health insurance policies we sell to prospects HBDC refers to us. The ongoing revenue-sharing payments are recognized as cost of revenue-sharing expense when we recognize the related revenue.

Seasonality The number of health insurance applications submitted through our ecommerce platform has generally increased in our first quarter compared to our fourth quarter and in our third quarter compared to our second quarter. Conversely, we have generally experienced a decline or flattening in submitted applications in our second quarter compared to our first quarter and in our fourth quarter compared to our third quarter. Since a significant portion of our marketing and advertising expenses are driven by the number of health insurance applications submitted on our website, those expenses are influenced by these seasonal patterns.

Revenue Recognition We recognize revenue for our services when each of the following four criteria is met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller s price to the buyer is fixed or determinable; and collectibility is reasonably assured.

Our revenue is primarily comprised of compensation paid to us by health insurance carriers related to insurance policies that have been purchased by a member who used our service. We define a member as an individual currently covered by an insurance product for which we are entitled to receive compensation from an insurance carrier. Our compensation generally represents a percentage of the premium amount collected by the carrier during the period that a member maintains coverage under a policy (commissions) and, to a lesser extent, override commissions that health insurance carriers pay us for achieving certain objectives. Premium-based commissions are reported to us after the premiums are collected by the carrier, generally on a monthly basis. We generally continue to receive the commission payment from the relevant insurance carrier until the health insurance policy is cancelled or we otherwise do not remain the agent on the policy. We determine that there is persuasive evidence of an arrangement when we have a commission agreement with a health insurance carrier, a carrier reports to us that it has approved an application submitted through our ecommerce platform and the applicant starts making payments on the policy. Our services are complete when a carrier has approved an application. Commissions are deemed fixed or determinable and collectibility is reasonably assured when commission amounts have been reported to us by a carrier. We recognize commission override revenue when reported to us by a carrier based on the actual attainment of predetermined target sales levels or other objectives as determined by the carrier.

We recognize commission revenue when our commission is reported to us by a health insurance carrier, net of an allowance for future forfeiture amounts payable to carriers due to policy cancellations. Commissions are reported to us by a cash payment and commission statement. We generally receive these communications simultaneously. In instances when we receive the cash payment and commission statement separately and in different accounting periods, we recognize revenue in the period that we receive the earliest communication, provided we receive the second communication corroborating the amount reported in the first communication within ten business days following the end of the accounting period. If the second corroborating communication is not received within ten business days following the end of the accounting period, we recognize revenue in the period the second communication is received. We use the data in the commission statements to help identify the members for which we are receiving a commission payment and the amount received for each member, and to estimate our allowance for forfeitures payable to carriers. As a result, we recognize the net amount of compensation earned as the agent in the transaction.

Certain commission amounts are subject to forfeiture in circumstances where a member has prepaid his or her premium for a future period of coverage and subsequently cancels his or her policy before the completion of

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

that period. The forfeitures are typically reported to us by health insurance carriers one to two months after the commission is reported and paid to us by the carrier. Accordingly, we estimate and record an allowance for these forfeitures based on specific events with our carriers and our historical cancellation experience. Our estimate of the allowance for forfeitures includes an estimate of both the reporting time lag and the forfeiture amount. Changes in our historical trends would result in changes to our estimated forfeitures in future periods. There were no changes in our average forfeiture rates or reporting time lag during the years ended December 31, 2007, 2008 and 2009 which had a material impact on our general allowance for forfeitures. We also record an allowance for instances in which we have received commission over-payments from carriers or when we have determined that a portion of a specific commission payment received is otherwise refundable to the carrier.

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program and from licensing the use of our ecommerce technology. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. In return, we are typically paid a monthly fee, which is recognized over the period that advertising is displayed, and often a performance fee based on metrics such as submitted health insurance applications. Our technology licensing business allows carriers the use of our ecommerce platform to offer their own health insurance policies on their websites and agents to utilize our technology to power their online quoting, content and application submission processes. Typically, we are paid a one-time implementation fee, which we recognize on a straight-line basis over the estimated term of the customer relationship (generally the initial term of the agreement), commencing once the technology is available for use by the third party, and a performance fee based on metrics such as submitted health insurance applications. The metrics used to calculate performance fees for both sponsorship advertising and technology licensing are based on performance criteria that are either measured based on data tracked by us, or based on data tracked by the third party. In instances where the performance criteria data is tracked by us, we recognize revenue in the period of performance. In instances where the performance criteria data is tracked by the third party, we recognize revenue when the amounts earned are both fixed and determinable and collection is reasonably assured. Typically, this occurs through our receipt of a cash payment from the third party along with a detailed statement containing the data that is tracked by the third party.

Deferred Revenue Deferred revenue consists of deferred technology licensing implementation fees as well as amounts collected from sponsorship or technology licensing customers in advance of our performing our service for such customers. We also defer amounts that have been reported to us related to transactions where our services are complete, but where we cannot currently estimate the allowance for future forfeitures related to those amounts.

Cost of Revenue-Sharing Cost of revenue-sharing consists primarily of payments related to health insurance policies sold to members who were referred to our website by marketing partners with whom we have revenue-sharing arrangements. Costs related to revenue-sharing arrangements are expensed at the time the related revenue is recognized. Cost of revenue-sharing also includes costs related to the initial consideration we paid to HBDC pursuant to the customer transition and marketing agreements we entered into, which is being amortized to cost of revenue-sharing expense in the consolidated statements of income and comprehensive income as we recognize commission revenue related to the transferred members.

Marketing and Advertising Marketing and advertising expenses consist primarily of member acquisition expenses associated with our direct, marketing partner and online advertising channels, in addition to compensation, benefits and other expenses related to marketing, business development, partner management, public relations and carrier relations personnel who support our offerings. We report the cost of advertising as expense in the period in which costs are incurred.

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EHEALTH, INC.

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Occasionally we participate in cooperative advertising programs with certain of our partners whereby they reimburse us for a portion of our advertising costs. The amounts our partners will reimburse us for advertising are typically determined at the beginning of each year and we are able to choose when to advertise and receive the related reimbursement throughout the year.

Advertising costs incurred have been classified as follows (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Contra-commission revenue	$ 15	$ 13	$ 10
Cost of revenue-sharing	1,701	1,746	4,581
Marketing and advertising expense	24,141	36,025	44,686
Total advertising costs	$ 25,857	$ 37,784	$ 49,277

Costs associated with revenue-sharing of commissions with a health insurance carrier have been offset against commission revenue in the accompanying consolidated statements of income and comprehensive income, while costs associated with revenue-sharing of commissions with partners have been included in cost of revenue-sharing.

Customer Care and Enrollment Customer care and enrollment expenses primarily consist of compensation and related expenses for personnel engaged in pre-sales assistance to applicants who call our customer care center and enrollment personnel who assist applicants during the underwriting process.

Technology and Content Technology and content expenses consist primarily of compensation and related expenses for personnel associated with developing and enhancing our website technology as well as maintaining our website. A portion of our technology and content group is located at our wholly owned subsidiary in China, where technology development costs are generally lower than in the United States.

Research and Development Research and development expenses consist primarily of compensation and related expenses incurred for enhancements to the functionality of our websites. Research and development costs, which totaled $4.1 million, $4.5 million and $5.2 million for the years ended December 31, 2007, 2008 and 2009, respectively, are included in technology and content expense in the accompanying consolidated statements of income and comprehensive income.

Internal-Use Software and Website Development Costs We capitalize costs of materials, consultants and compensation and benefits costs of employees who devote time to the development of internal-use software; however, we usually expense as incurred website development costs for new features and functionalities because it is not probable that they will result in additional functionality until they are both developed and tested with confirmation that they are more effective than the current set of features and functionalities on our website. Our judgment is required in determining the point at which various projects enter the states at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized, which is generally three years. To the extent that we change the manner in which we develop and test new features and functionalities related to our website, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website development costs we capitalize and amortize in future periods would be impacted. Through December 31, 2009, the majority of our internal-use software and website development costs have been expensed as incurred.

EHEALTH, INC.

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General and Administrative General and administrative expenses include compensation and benefits costs for staff working in our executive, finance, corporate development, investor relations, government relations, legal, human resources, internal audit, facilities and internal information technology departments. These expenses also include fees paid for outside professional services, mainly for audit, tax, legal and information technology consulting.

Stock-Based Compensation We recognize stock-based compensation expense in the accompanying consolidated statements of income and comprehensive income based on the estimated fair value of our stock-based awards over their respective vesting periods, which is generally four years. The estimated grant date fair value of our stock-based awards is determined using the Black-Scholes-Merton pricing model and a single option award approach. The weighted-average expected term for stock options granted is calculated using the simplified method*,* as we do not have sufficient historical option exercise behavior on which to estimate expected terms. The simplified method defines the expected term as the average of the contractual term and the vesting period of the stock option. We have estimated the volatility used as an input to the model based on an analysis of our stock price since our initial public offering in October 2006, as well as an analysis of similar public companies for which we have data. We estimate our expected volatility using the weighted-average of: our implied volatility; our mean reversion volatility; and the mean reversion volatility of similar public companies for which we have data. We have used judgment in selecting these companies, as well as evaluating the available historical and implied volatility data for these companies. The dividend yield is determined by dividing the expected per share dividend during the coming year by the grant date stock price. Through December 31, 2009, we had not declared or paid any cash dividends, and we do not expect to pay any in the foreseeable future. We base the risk-free interest rate on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of our stock options. The assumptions used in calculating the fair value of stock-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. We will continue to use judgment in evaluating the expected term and volatility related to our own stock-based awards on a prospective basis, and incorporating these factors into the model. Changes in key assumptions will significantly impact the valuation of such instruments.

Income Taxes We account for income taxes using the liability method. Deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities, using enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

FASB ASC Topic 710 prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in a company s income tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FASB ASC Topic 710 utilizes a two-step approach for evaluating uncertain tax positions. Step one, *Recognition*, requires a company to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. Step two, *Measurement*, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement.

On September 23, 2008, the state of California approved its budget for fiscal year ending June 30, 2009, which contained changes to the California tax law which substantially limited our ability to utilize available state net operating loss and tax credit carry forwards to reduce our state income taxes payable. Under the new tax law, the utilization of net operating loss carry forwards was suspended for tax years 2008 and 2009; however, the expiration date of the net operating loss carry forwards was extended for an equivalent two-year period. Additionally, for tax years 2008 and 2009, taxpayers may only utilize available tax credit carry forwards to reduce their current tax liability up to 50% of their net tax amount before application of such credits. The new

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law does not affect the amount of net operating loss or tax credit carry forwards that we expect to ultimately use to offset future California taxes; however, it did limit the amount of net operating loss and tax credit carry forwards that we were able to utilize to reduce our taxes payable during 2009, resulting in an increase in cash taxes paid to the state of California in 2008 and 2009.

We consider stock option deduction benefits in excess of book compensation charges realized when we obtain an incremental benefit determined by the With and Without calculation method. Under the With and Without approach, excess tax benefits related to share-based payments are not deemed to be realized until after the utilization of all other tax benefits available to us. For example, net operating loss and tax credit carry forwards from prior years are used to reduce taxes currently payable prior to deductions from stock option exercises for purposes of financial reporting, while for tax return purposes, current year stock compensation deductions are generally used before net operating loss carry forwards. Indirect effects of excess tax benefits, such as the effect on research and development tax credits, are not considered. Realized excess tax benefits are reflected in the financial statements.

Foreign Currency Translation Our only foreign subsidiaries are located in Xiamen, China. The functional currency of our foreign subsidiaries is the local currency (the Chinese Yuan Renminbi) and their financial statements are translated into U.S. Dollars using month-end rates of exchange for assets and liabilities, and average rates of exchange for revenues, costs and expenses. Translation adjustments are reflected in accumulated other comprehensive income in the accompanying consolidated balance sheets, while gains and losses resulting from foreign currency transactions are included in interest and other income, net in the accompanying consolidated statements of income and comprehensive income. We did not recognize any material gains or losses resulting from foreign currency transactions during the years ended December 31, 2007, 2008 or 2009.

Comprehensive Income All components of comprehensive income, including net income, are reported in our consolidated financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources (primarily foreign currency translation gains and losses and unrealized gains and losses on cash equivalents and marketable securities). Statements of comprehensive income have been included within the accompanying consolidated statements of income and comprehensive income.

Net Income Per Share Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase). Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and common equivalent shares outstanding during the period. Potentially dilutive securities, composed of incremental common shares issuable upon the exercise of stock options, are included in diluted net income per share to the extent such shares are dilutive.

Recently Issued Accounting Standards In September 2006, the FASB issued guidance now codified as FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The pronouncement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released additional guidance now codified under FASB ASC Topic 820, which provides for delayed application of certain guidance related to non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those years. We adopted certain provisions of FASB ASC Topic 820 effective January 1, 2008 (see Note 3, *Fair Value*

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Measurements, to our consolidated financial statements for additional information). Pursuant to the requirements of FASB ASC Topic 820, we adopted the provisions of FASB ASC Topic 820 with respect to our non-financial assets and non-financial liabilities during the first quarter of 2009. The implementation of this pronouncement did not have a material impact on our consolidated financial position, results of operations or cash flows.

Note 2 Balance Sheet Accounts

Cash and Cash Equivalents As of December 31, 2008 and 2009, our cash equivalents consisted of money market accounts that invested in U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations. At December 31, 2008 and 2009, our cash equivalents carried no unrealized gains or losses and we did not realize any significant gains or losses on sales of cash equivalents during the years ended December 31, 2007, 2008 and 2009.

Marketable Securities Marketable securities are comprised primarily of available-for-sale financial instruments with original maturities of more than 90 days from the date of purchase. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity. The cost, unrealized gains and losses, net of taxes, and estimated fair value of our marketable securities consisted of the following as of December 31, 2008 and 2009 (in thousands):

	Cost	Unrealized Gains	Unrealized Losses (1)	Estimated Fair Value
December 31, 2009				
U.S. government-sponsored enterprise bonds	$ 17,877	$ 15	$ (1)	$ 17,891
Corporate bonds	3,053	1		3,054
U.S. government-sponsored enterprise discount notes	1,221	18		1,239
Total marketable securities	$ 22,151	$ 34	$ (1)	$ 22,184
December 31, 2008				
U.S. government-sponsored enterprise bonds	$ 36,217	$ 293	$	$ 36,510
Corporate bonds	15,457	30	(136)	15,351
Commercial paper	2,141	4		2,145
U.S. government-sponsored enterprise discount notes	1,472	21		1,493
Certificates of deposit	1,000			1,000
Total marketable securities	$ 56,287	$ 348	$ (136)	$ 56,499

(1) No marketable security had been in a continuous unrealized loss position for more than twelve months as of December 31, 2008 or 2009. We did not realize any significant gains or losses on sales of marketable securities during the years ended December 31, 2007, 2008 and 2009. The contractual maturities of our marketable securities as of December 31, 2009, were all due within one year.

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EHEALTH, INC.

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During the years ended December 31, 2007, 2008 and 2009, we recorded immaterial amounts of unrealized gains and losses on our investments in marketable securities. Unrealized gains and losses are the result of the change in fair value of our investments in marketable securities, specifically corporate bonds, at the beginning and end of the period and are excluded from earnings and reported as a component of stockholders equity in the consolidated balance sheets and in comprehensive income on the consolidated statements of income and comprehensive income.

At December 31, 2009, we evaluated each of our unrealized losses, all of which are from U.S. government-sponsored enterprise bonds, and determined them to be temporary. Factors we considered in determining whether unrealized losses were temporary included the length of time and extent to which each investment s fair value has been less than its cost basis, the financial condition and near-term prospects of the investee, and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Based upon our evaluation of these factors, and because we have the ability and intent to hold each of our investments with net unrealized losses until their respective maturity dates, we do not consider these investments to be other-than-temporarily impaired at December 31, 2009.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of December 31,	
	2008	**2009**
Prepaid insurance	$ 462	$ 675
Prepaid maintenance contracts	320	380
HBDC initial consideration		369
Interest receivable	628	272
Other	464	628
Prepaid expenses and other current assets	$ 1,874	$ 2,324

Property and Equipment

Property and equipment consisted of the following (in thousands):

	As of December 31,	
	2008	**2009**
Computer equipment and software	$ 7,746	$ 8,643
Office equipment and furniture	1,068	1,255
Leasehold improvements	725	779
	9,539	10,677
Less accumulated depreciation and amortization	(4,972)	(6,902)
Property and equipment, net	$ 4,567	$ 3,775

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Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	As of December 31, 2008	2009
Professional fees	$ 1,025	$ 1,253
Income taxes payable	905	
Payable to carriers allowance for forfeitures	477	1,140
Other accrued expenses	300	284
Other current liabilities	$ 2,707	$ 2,677

Note 3 Fair Value Measurements

We define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques we use to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. We classify the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The following table presents information about our financial assets (cash equivalents and marketable securities) that are re-measured and reported at fair value on a recurring basis as of December 31, 2009, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

	As of December 31, 2009 Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash equivalents:			
Money market funds	$ 124,254	$	$ 124,254
Marketable securities:			

U.S. government-sponsored enterprise bonds		17,891	17,891
Corporate bonds		3,054	3,054
U.S. government-sponsored enterprise discount notes		1,239	1,239
		22,184	22,184
Total cash equivalents and marketable securities	$ 124,254	$ 22,184	$ 146,438

We endeavor to utilize the best available information in measuring fair value. We used observable prices in active markets in determining the classification of our money market funds as Level 1. For our other cash

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

equivalents and marketable securities classified as Level 2, we primarily relied on observable quotes in active markets; however if we concluded the market was non-active, we relied on independent market pricing data. We did not hold any financial assets as of December 31, 2009 whereby the fair value measurements were estimated using significant unobservable inputs (Level 3).

Note 4 Stockholders Equity and Stock-Based Compensation

Stockholders Equity

Preferred Stock Our board of directors has the authority, without any further action by our stockholders, to issue up to 110,000,000 shares, par value $0.001 per share, of which 10,000,000 shares are designated as preferred stock. As of December 31, 2007, 2008 and 2009, there were no shares of preferred stock outstanding.

Common Stock On all matters submitted to our stockholders for vote, our common stockholders are entitled to one vote per share, voting together as a single class, and do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose. Subject to preferences that may apply to any shares of preferred stock outstanding, the holders of common stock are entitled to share equally in any dividends, when and if declared by our board of directors. Upon our liquidation, dissolution or winding-up, the holders of common stock are entitled to share equally in all assets remaining after the payment of any liabilities and the liquidation preferences on any outstanding preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to the common stock. As of December 31, 2008 and 2009, there were 25,040,935 shares and 23,416,730 shares of common stock outstanding, respectively.

Shares Reserved We issue common stock upon the exercise of stock options, the vesting of restricted stock units and upon granting of restricted common stock awards. Shares of authorized but unissued common stock reserved for future issuance were as follows (in thousands):

	As of December 31,	
	2008	**2009**
Common stock:		
Stock options issued and outstanding	2,725	2,899
Restricted stock units issued and outstanding	231	383
Stock options and awards available for future grants	2,714	3,181
	5,670	6,463

Stock Plans Our 2006 Equity Incentive Plan (the 2006 Plan) became effective in October 2006. As of December 31, 2009, we had 3,180,800 shares of our common stock available for future grants under the 2006 Plan. In general, if options or shares awarded under the 2006 Plan are forfeited or repurchased, those options or shares will again become available for grant under the 2006 Plan. In addition, on January 1 of each year, the number of shares available for future grant under the 2006 Plan will automatically increase by the lowest of (a) 1,500,000 shares, (b) 4% of the total number of shares of our common stock then outstanding or (c) a lower number determined by our board of directors or its compensation committee. As of January 1, 2007, 2008, 2009 and 2010, shares reserved under the 2006 Plan automatically increased by 869,957 shares, 987,473 shares, 1,001,637 shares and 936,669 shares, respectively, which equaled 4% of the total number of shares of our common stock then outstanding. Employees, non-employee members of our board of directors and consultants of our company are eligible to participate in our 2006 Plan. The 2006 Plan requires that the exercise price of stock options and stock appreciation rights awarded shall in no event be less than 100% of the fair market value of a share of common stock on the date of grant.

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We also maintain the 1998 Stock Plan and the 2005 Stock Plan, under which we previously granted options to purchase shares of our common stock and restricted common stock. The 1998 and 2005 Stock Plans were terminated with respect to the grant of additional awards upon the effective date of the registration statement related to our initial public offering in October 2006, although we will continue to issue new shares of common stock upon the exercise of stock options previously granted under the 1998 and 2005 Stock Plans.

Our stock options and restricted stock awards granted under the 2006 Plan and the 1998 and 2005 Stock Plans (collectively, the Stock Plans) generally vest over four years at a rate of 25% after one year and 1/48th per month thereafter. Our stock options granted prior to December 31, 2007 generally expire after ten years from the date of grant. Stock options granted subsequent to December 31, 2007 generally expire after seven years from the date of grant. As of December 31, 2009, no shares were subject to repurchase. Our restricted stock unit awards granted under the 2006 Plan generally vest over four years at a rate of 25% after one year and 25% annually thereafter.

The following table summarizes option activity under the Stock Plans (in thousands, except per share amounts and weighted average remaining contractual life data):

	Shares Available for Grant (1)	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (2)
Balance at December 31, 2006	1,844	5,436	$ 3.85		
Reduction in number of authorized shares (3)	(131)				
Additional shares authorized (4)	870				
Restricted stock units granted	(11)				
Options granted	(296)	296	$ 25.66		
Options exercised		(2,931)	$ 2.34		
Options cancelled	175	(175)	$ 12.06		
Restricted stock units and awards cancelled	13				
Balance at December 31, 2007	2,464	2,626	$ 7.44	6.41	$ 64,787
Reduction in number of authorized shares (3)	(28)				
Additional shares authorized (4)	987				
Restricted stock units granted	(224)				
Options granted	(683)	683	$ 19.39		
Options exercised		(397)	$ 4.05		
Options cancelled	187	(187)	$ 23.17		
Restricted stock units and awards cancelled	11				
Balance at December 31, 2008	2,714	2,725	$ 9.85	5.91	$ 15,878
Additional shares authorized (4)	1,002				
Restricted stock units granted	(215)				
Options granted	(407)	407	$ 15.89		
Options exercised		(159)	$ 6.49		
Options cancelled	74	(74)	$ 22.49		
Restricted stock units and awards cancelled	13				
Balance at December 31, 2009	3,181	2,899	$ 10.56	5.16	$ 20,895
Vested and expected to vest at December 31, 2009		2,848	$ 10.45	5.14	$ 20,827

Exercisable at December 31, 2009	1,998	$ 7.76	4.64	$ 19,496

(1) Shares available for grant exclude treasury stock of 54,454 shares and 1,894,355 shares at December 31, 2008 and 2009, respectively, that could be granted if eHealth determined to do so.

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(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of our common stock at December 31, 2007, 2008 and 2009.

(3) The 1998 and 2005 Stock Plans were terminated with respect to the grant of additional shares upon the effective date of the registration statement related to our initial public offering in October 2006, resulting in reductions in the total number of shares authorized for issuance.

(4) On January 1, 2007, 2008 and 2009, the number of shares authorized for issuance under the 2006 Plan was automatically increased pursuant to the terms of the 2006 Plan by 869,957 shares, 987,473 shares and 1,001,637 shares, respectively.

Total intrinsic value of stock options exercised during the years ended December 31, 2007, 2008 and 2009 was $62.0 million, $7.9 million and $1.4 million, respectively.

The following table presents total unrecognized stock-based compensation expense as of December 31, 2009 related to stock options and restricted stock units granted to employees under our stock plans (in thousands):

As of December 31, 2009	Stock Options	Restricted Stock Units	Total
Unrecognized stock-based compensation expense	$ 6,624	$ 5,394	$ 12,018
Estimated forfeitures	(565)	(499)	(1,064)
Unrecognized stock-based compensation expense, net of estimated forfeitures	$ 6,059	$ 4,895	$ 10,954

Unrecognized stock-based compensation expense, net of estimated forfeitures, was $11.0 million as of December 31, 2009 and will be amortized on a straight-line basis over the remaining weighted average vesting term of the underlying equity awards which was approximately 2.6 years as of December 31, 2009. Unrecognized stock-based compensation will be adjusted for subsequent changes in estimated forfeitures.

The fair value of stock options granted to employees for the years ended December 31, 2007, 2008 and 2009 was estimated using the following weighted average assumptions:

	Year Ended December 31,		
	2007	2008	2009
Expected term	6.1 years	4.8 years	4.6 years
Expected volatility	58.2%	55.7%	59.8%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	4.47%	3.04%	1.64%
Weighted average grant-date fair value	$ 15.06	$ 9.55	$ 7.93

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The following table summarizes information about stock options outstanding as of December 31, 2009 (in thousands, except per share amounts and weighted average remaining contractual life data):

	Outstanding and Exercisable		Vested	
Exercise Price	Number of Shares of Common Stock Subject to Options	Weighted Average Remaining Contractual Life (in years)	Number of Shares of Common Stock Subject to Options	Weighted Average Exercise Price
$1.00	17	1.24	17	$ 1.00
$2.00	1,060	3.37	1,060	$ 2.00
$4.00 - $12.45	642	5.93	465	$ 8.73
$12.78 - $19.05	594	6.62	130	$ 14.11
$19.25 - $31.08	586	6.20	326	$ 22.94
$1.00 - $31.08	2,899	5.16	1,998	$ 7.76

The fair value of the restricted stock units is based on eHealth s stock price on the date of grant, and compensation expense is recognized on a straight-line basis over the vesting period. The following table summarizes restricted stock unit activity under the Stock Plans (in thousands, except weighted average remaining contractual life data):

	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (1)
Balance as of December 31, 2006	33		
Granted	12		
Vested	(9)		
Cancelled	(13)		
Balance as of December 31, 2007	23	1.32	$ 727
Granted	228		
Vested	(12)		
Cancelled	(8)		
Balance as of December 31, 2008	231	1.73	$ 3,070
Granted	215		
Vested	(60)		
Cancelled	(3)		
Balance as of December 31, 2009	383	1.47	$ 6,289
Expected to vest at December 31, 2009	356	1.41	$ 5,842

(1) The aggregate intrinsic value is calculated as the fair value of the underlying common stock outstanding and vested and expected to vest as of December 31, 2007, 2008 and 2009.

Stock Repurchase Program

On November 12, 2008, we announced that our board of directors authorized a stock repurchase program, pursuant to which up to 2,507,950 shares could be repurchased, for a total cost not to exceed $30 million. Share repurchases under this program complied with Rule 10b-18 under the Securities Exchange Act of 1934, as

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amended. The stock repurchase program was completed in September 2009 when a cumulative balance of approximately $30 million of common stock, including commissions, had been repurchased. For accounting purposes, common stock repurchased under the program was recorded based upon the settlement date of the applicable trade. Repurchased shares are held in treasury and are accounted for using the cost method. The stock repurchase activity under the stock repurchase program during the year ended December 31, 2009 is summarized as follows (in thousands, except share and per share amounts):

Year Ended December 31, 2009	Total Number of Shares Purchased	Average Price Paid per Share (1)	Amount of Repurchase
Cumulative balance at December 31, 2008	50,657	$ 12.61	$ 639
Repurchases of common stock	1,827,193	$ 16.07	29,360
Cumulative balance at December 31, 2009	1,877,850	$ 15.97	$ 29,999

(1) Average price paid per share includes commissions

As of December 31, 2009, all stock repurchases under the stock repurchase program were made on the open market. In addition to the 1,877,850 shares repurchased under our stock repurchase program as of December 31, 2009, we have in treasury 16,505 shares that were surrendered by employees to satisfy tax withholdings due in connection with the vesting of certain restricted stock units. As of December 31, 2008 and 2009, we had a total of 54,454 shares and 1,894,355 shares, respectively, held in treasury.

Stock-Based Compensation

The following table summarizes stock-based compensation expense recorded during the years ended December 31, 2007, 2008 and 2009 (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Awards granted to employees accounted for in accordance with SFAS 123R:			
Common stock options	$ 1,100	$ 2,481	$ 3,055
Restricted stock units	268	931	1,756
Restricted common stock	20	13	4
	1,388	3,425	4,815
Awards granted to employees accounted for in accordance with APB 25:			
Common stock options	17		
Restricted common stock	101	69	20
	118	69	20
Total stock-based compensation expense	$ 1,506	$ 3,494	$ 4,835

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes stock-based compensation expense by operating function included in the consolidated statements of income and comprehensive income for the years ended December 31, 2007, 2008 and 2009 (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Marketing and advertising	$ 218	$ 644	$ 803
Customer care and enrollment	138	266	325
Technology and content	611	898	1,194
General and administrative	539	1,686	2,513
Total stock-based compensation expense	$ 1,506	$ 3,494	$ 4,835

Note 5 401(k) Plan

In September 1998, our board of directors adopted a defined contribution retirement plan (401(k) Plan), which qualifies under Section 401(k) of the Internal Revenue Code of 1986. Participation in the 401(k) Plan is available to substantially all employees in the United States. Employees can contribute up to 25% of their salary, up to the federal maximum allowable limit, on a before-tax basis to the 401(k) Plan. Employee contributions are fully vested when contributed. Company contributions to the 401(k) Plan are discretionary and are expensed when incurred. In April 2006, we began matching employee contributions to our 401(k) Plan at 25% of an employee s contribution each pay period, up to a maximum of 1% of the employee s salary during such pay period. Our matching contributions are expensed as incurred and vest one-third for each of the first three years of the recipient s service. The recipient is fully vested in all 401(k) Plan matching contributions after three years of service.

Note 6 Income Taxes

The components of our income before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2007	2008	2009
United States	$ 21,259	$ 25,318	$ 27,262
Foreign	44	(344)	(484)
Total	$ 21,303	$ 24,974	$ 26,778

The provision (benefit) for income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Current:			
Federal	$ 53	$ 367	$ 6,732
State	2	1,557	2,746
Foreign	3		

Total current	58	1,924	9,478
Deferred:			
Federal	(9,008)	8,178	2,634
State	(1,342)	704	(681)
Total deferred	(10,350)	8,882	1,953
Provision (benefit) for income taxes	$ (10,292)	$ 10,806	$ 11,431

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a reconciliation of the federal statutory income tax rate to our effective tax rate for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31,		
	2007	2008	2009
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes	5.2	6.7	5.0
Foreign income and withholding taxes		0.5	0.6
Research and development tax credit carry forwards	(0.8)	(0.2)	(0.2)
Stock-based compensation	0.2	0.7	0.6
Utilization of previously unbenefited operating losses	(88.9)		
Other	1.0	0.6	1.7
Effective tax rate	(48.3)%	43.3%	42.7%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, together with net operating loss and tax credit carry forwards. Significant components of our deferred tax assets were as follows (in thousands):

	As of December 31,	
	2008	2009
Deferred tax assets:		
Federal and state net operating loss carry forwards	$ 5,040	$ 1,083
Federal and state tax credit carry forwards	1,314	712
Stock-based compensation	1,298	2,356
Accruals and reserves	712	1,423
Other	633	1,602
Gross deferred tax assets	8,997	7,176
Valuation allowance	(103)	(248)
Total deferred tax assets	8,894	6,928
Deferred tax liabilities depreciation and amortization		
Total net deferred tax assets	$ 8,894	$ 6,928

Assessing the realizability of our deferred tax assets is dependent upon several factors, including the likelihood and amount, if any, of future taxable income in relevant jurisdictions during the periods in which those temporary differences become deductible. We forecast taxable income by considering all available positive and negative evidence, including our history of operating income and losses and our financial plans and estimates that we use to manage the business. These assumptions require significant judgment about future taxable income. As a result, the amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

Historically, we had provided a valuation allowance against the net deferred tax assets to reflect these uncertainties. At the end of 2007, we developed expectations of future taxable income and other relevant factors sufficiently in the future to conclude that it was more likely than not that we would realize sufficient earnings to utilize all of our deferred tax assets. Accordingly, we reversed our $18.9 million valuation allowance against deferred tax assets in the fourth quarter of 2007. Our effective tax rate in 2007 differed from the statutory federal

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

tax rate primarily due to the releases of our valuation allowance against deferred tax assets in that year. The net valuation allowance decreased by $18.9 million during the year ended December 31, 2007, and increased $0.1 million in each of the years ended December 31, 2008 and 2009.

Our effective tax rate in 2009 was higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses and tax shortfalls related to share-based payments, partially offset by an income tax adjustment related to an increase in our deferred income tax assets resulting from a reduction in estimated limitations on both our federal and California net operating loss carry forwards. Our effective tax rate in 2008 was higher than statutory federal and state tax rates primarily due to tax shortfalls related to share-based payments, as well as penalties and interest associated with our unrecognized tax benefits.

Our federal net operating losses and tax credit carry forwards were available without annual limitations as of December 31, 2009. For tax return purposes, we had net operating loss carry forwards at December 31, 2009 of approximately $45.6 million and $69.9 million for federal income tax and state income tax purposes, respectively. Included in these amounts are unrealized federal and state net operating loss deductions resulting from stock option exercises of approximately $45.6 million and $55.4 million, respectively. The benefit of these unrealized stock option-related deductions has not been included in the deferred tax assets table above and will be recognized as a credit to additional paid-in capital when realized. Federal and state net operating loss carry forwards begin expiring in 2022 and 2014, respectively.

During the year ended December 31, 2009, due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes currently payable in California, we utilized excess tax benefits related to share-based payments and other unrecognized tax benefits, which resulted in a $5.0 million increase in additional paid-in capital and a $2.4 million increase in other non-current liabilities, respectively, in the consolidated balance sheet as of December 31, 2009. During the year ended December 31, 2008, due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes currently payable in California, we utilized excess tax benefits related to share-based payments and other unrecognized tax benefits, which resulted in a $0.3 million increase in additional paid-in capital and a $0.4 million increase in other non-current liabilities, respectively, in the consolidated balance sheet as of December 31, 2008.

At December 31, 2009, we had tax credit carry forwards of approximately $3.2 million and $0.5 million for federal income tax and state income tax purposes, respectively. Federal tax credit carry forwards begin expiring in 2020 and state tax credits carry forward indefinitely. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Unrecognized Tax Benefits
Balance at December 31, 2007	$ 2,427
Additions based on tax positions related to the current year	256
Additions based on tax positions related to the prior year	76
Settlements	
Balance at December 31, 2008	2,759
Decreases based on tax positions related to the prior year	(26)
Additions based on tax positions related to the prior year	277
Settlements	
Balance at December 31, 2009	$ 3,010

As of December 31, 2008 and 2009, there were $2.2 million and $2.4 million, respectively, of unrecognized tax benefits, that, if recognized, would impact the effective tax rate. Due to net operating losses, all tax years after 1998 are open to examination and adjustment.

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We have elected to record interest and penalties related to uncertain tax positions as income tax expense in the consolidated financial statements. All tax years after 1998 are open to examination and adjustment due to our net operating losses.

We consider the foreign earnings of our China subsidiary to be indefinitely reinvested outside the United States. Our China subsidiary has incurred cumulative net losses since inception. Accordingly, we have not provided U.S. taxes on the cumulative foreign earnings of our China subsidiary.

Note 7 Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the fiscal period. Diluted net income per share is computed giving effect to all potential dilutive common stock, including options, restricted stock and restricted stock units. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2007	2008	2009
Basic:			
Numerator:			
Net income allocated to common stock	$ 31,595	$ 14,168	$ 15,347
Denominator:			
Weighted average number of common stock shares	23,092	24,964	25,130
Weighted average number of common stock shares held in treasury		(1)	(821)
Net weighted average common stock shares outstanding	23,092	24,963	24,309
Net income per share basic:	$ 1.37	$ 0.57	$ 0.63
Diluted:			
Numerator:			
Net income allocated to common stock	$ 31,595	$ 14,168	$ 15,347
Denominator:			
Weighted average number of common stock shares	23,092	24,963	24,309
Weighted average number of options	2,690	977	838
Weighted average number of restricted stock and restricted stock units	15	14	54
Total common stock shares used in per share calculation	25,797	25,954	25,201
Net income per share diluted:	$ 1.22	$ 0.55	$ 0.61

For each of the years ended December 31, 2007, 2008 and 2009, we had securities outstanding that could potentially dilute earnings per share, but the shares from the assumed conversion or exercise of these securities were excluded in the computation of diluted net income per share as their effect would have been anti-dilutive.

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The number of outstanding weighted average anti-dilutive shares that were excluded from the computation of diluted net income per share consisted of the following (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Common stock options	209	673	1,122
Restricted stock units		9	6
Total	209	682	1,128

Note 8 Commitments and Contingencies

Leases We lease certain of our office and operating facilities and certain furniture and fixtures under various operating leases, the latest of which expires in October 2014. In addition, we lease office equipment under operating leases that range in original terms from two to over five years, the latest of which expires in July 2012. Certain of these leases have free or escalating rent payment provisions. We recognize rent expense on our operating leases on a straight-line basis over the terms of the leases, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements. Total rent expense under all operating leases was approximately $2.4 million, $3.3 million and $3.4 million for the years ended December 31, 2007, 2008 and 2009, respectively.

Future minimum lease payments under non-cancellable operating leases at December 31, 2009 were as follows (in thousands):

Years Ending December 31,	Operating Lease Obligations
2010	$ 2,919
2011	2,454
2012	2,036
2013	239
2014	206
Total minimum lease payments	$ 7,854

Service and Licensing Agreements We have entered into service and licensing agreements with third-party vendors to provide various services, including website development, website hosting, network access, data center services and software licensing. The terms of these services and licensing agreements are generally up to three years, the latest of which expires in November 2011. We record the related service and licensing expenses on a straight-line basis, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements.

As of December 31, 2009, future cash payment commitments for services provided in connection with these agreements were as follows (in thousands):

Years Ending December 31,	Service And

	Licensing Obligations
2010	$ 462
2011	260
Total	$ 722

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital Lease In December 2008 we entered into a capital lease agreement for office equipment which expires in April 2012. As of December 31, 2009, future cash payment commitments related to this lease were as follows (in thousands):

Years Ending December 31,	Capital Lease Obligations
2010	$ 57
2011	57
2012	14
Total minimum lease payments	128
Less amount representing interest	(25)
Present value of net minimum lease payments	103
Current portion	(42)
Non-current portion	$ 61

Legal Proceedings In the ordinary course of our business, we have received and may continue to receive inquiries from state regulators relating to various matters. We have become, and may in the future become, involved in litigation in the ordinary course of our business. If we are found to have violated laws or regulations in any of the states, we could be subject to various fines and penalties, including revocation of our license to sell insurance in those states, and our business and financial results would be harmed. We would also be harmed to the extent that related publicity damages our reputation as a trusted source of objective information relating to health insurance and its affordability. It could also be costly to defend ourselves regardless of the outcome.

Guarantees and Indemnifications We have agreed to indemnify members of our board of directors and our executive officers for fees, expenses, judgments, fines and settlement amounts incurred in any action or proceeding, including actions or proceedings by or in the right of the Company, to which any of them is, or is threatened to be, made a party by reason of their service as a director or officer of the Company or service provided to another company or enterprise at our request. The term of the director and officer indemnification is perpetual as to events or occurrences that take place while the director or officer is, or was, serving at our request. As such, the maximum potential amount of future payment we could be required to make under these indemnification arrangements is unlimited. We, however, maintain directors and officers insurance coverage that limits our exposure under certain circumstances and that may allow us to recover a portion of future amounts paid. We believe the estimated fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of December 31, 2008 or 2009.

While we have made various guarantees included in contracts in the normal course of business, primarily in the form of indemnity obligations under certain circumstances, these guarantees do not represent significant commitments or contingent liabilities of the indebtedness of others. Accordingly, we have not recorded a liability related to these indemnification provisions.

Note 9 Segment and Geographic Information

Operating Segments Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance of the Company. Our chief operating decision maker is considered to be our chief executive officer. Our chief executive officer reviews our

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EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial information presented on a consolidated basis in a manner substantially similar to the accompanying consolidated financial statements. Therefore, we have concluded that we operate in one segment, and accordingly we have provided only the required enterprise-wide disclosures.

Geographic Information Substantially all revenue for all years presented was generated from customers located in the United States. As of December 31, 2008 and 2009, our long-lived assets consisted primarily of property and equipment and indefinite-lived intangible assets. Our long-lived assets are attributed to the geographic location in which they are located. Long-lived assets by geographical area were as follows (in thousands):

	As of December 31, 2008	As of December 31, 2009
United States	$ 4,703	$ 4,101
China	644	537
Total	$ 5,347	$ 4,638

Note 10 Selected Quarterly Financial Data (Unaudited)

Selected summarized quarterly financial information for 2009 and 2008 is as follows (in thousands, except per share amounts):

2009	**1ST Quarter**	**2ND Quarter**	**3RD Quarter**	**4TH Quarter**	**Year**
Revenue	$ 31,917	$ 33,439	$ 35,123	$ 34,411	$ 134,890
Income from operations	5,589	6,870	6,491	6,890	25,840
Net income	3,143	3,994	3,452	4,758	15,347
Net income per share:					
Basic	$ 0.13	$ 0.16	$ 0.14	$ 0.20	$ 0.63
Diluted	$ 0.12	$ 0.16	$ 0.14	$ 0.20	$ 0.61

2008	**1ST Quarter**	**2ND Quarter**	**3RD Quarter**	**4TH Quarter**	**Year**
Revenue	$ 26,280	$ 27,501	$ 28,475	$ 29,455	$ 111,711
Income from operations	4,725	6,396	4,486	5,653	21,260
Net income	3,297	4,201	3,021	3,649	14,168
Net income per share:					
Basic	$ 0.13	$ 0.17	$ 0.12	$ 0.15	$ 0.57
Diluted	$ 0.13	$ 0.16	$ 0.12	$ 0.14	$ 0.55

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

ITEM 9A. CONTROLS AND PROCEDURES
Evaluation of Our Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 10-K.

Based on management s evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission 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 in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009 based on the guidelines established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2009. We reviewed the results of management s assessment with our Audit Committee.

Ernst & Young LLP, an independent registered public accounting firm, has issued a report on internal control over financial reporting, which is presented below.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our chief executive officer and chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all

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control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

eHealth, Inc.

We have audited eHealth, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). eHealth, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, eHealth, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of eHealth, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009 of eHealth, Inc. and our report dated March 5, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California

March 5, 2010

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ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, executive officers, compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, and corporate governance required by this Item 10 of Form 10-K is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company s fiscal year ended December 31, 2009.

We have adopted a code of ethics that applies to all employees, including our principal executive officer, Gary Lauer, principal financial and accounting officer, Stuart Huizinga, and all other executive officers. The code of ethics is available on the investor relations/corporate governance page of our website at *www.ehealthinsurance.com*. A copy may also be obtained without charge by contacting investor relations, attention Director of Investor Relations, 440 East Middlefield Road, Mountain View, CA 94043 or by calling (650) 210-3111.

We plan to post on our website at the address described above any future amendments or waivers of our Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company s fiscal year ended December 31, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of December 31, 2009, two of our executive officers are parties to individual Rule 10b5-1 trading plans pursuant to which shares of our common stock will be sold for their account from time to time in accordance with the provisions of the plans without any further action or involvement by the officers.

Additional information required by Item 12 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company s fiscal year ended December 31, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company s fiscal year ended December 31, 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company s fiscal year ended December 31, 2009.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) We have filed the following documents as part of this Annual Report on Form 10-K:
1. Consolidated Financial Statements

Information in response to this Item is included in Item 8 of Part II of this Annual Report on Form 10-K.

2. Financial Statement Schedules

None.

3. Exhibits

See Item 15(b) below.

(b) ***Exhibits*** We have filed, or incorporated into this Annual Report on Form 10-K by reference, the exhibits listed on the accompanying Index to Exhibits of this Annual Report on Form 10-K.

(c) ***Financial Statement Schedule*** See Item 15(a) above.

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SIGNATURES

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

March 5, 2010

eHealth, Inc.

/s/ Gary L. Lauer	/s/ Stuart M. Huizinga
Gary L. Lauer	Stuart M. Huizinga
Chief Executive Officer and	*Chief Financial Officer*
Chairman of the Board of Directors	*(Principal Financial and Accounting Officer)*

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 on the 5th day of March, 2010.

Signature	Title
/s/ Steven M. Cakebread	Director
Steven M. Cakebread	
/s/ Scott N. Flanders	Director
Scott N. Flanders	
/s/ Michael D. Goldberg	Director
Michael D. Goldberg	
/s/ Lawrence M. Higby	Director
Lawrence M. Higby	
/s/ Randall S. Livingston	Director
Randall S. Livingston	
/s/ Jack L. Oliver III	Director
Jack L. Oliver III	

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporation by Reference Herein Form	Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
3.2	Amended and Restated Bylaws of the Registrant	Current Report on Form 8-K (File No. 001-33071)	November 17, 2008
4.1	Form of the Registrant s Common Stock Certificate	Registration Statement on Form S-l, as amended (File No. 333-133526)	June 28, 2006
10.1	Form of Indemnification Agreement entered into between the Registrant and its directors and officers	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.2*	1998 Stock Plan of the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.3	2004 Stock Plan for eHealth China	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.4*	2005 Stock Plan of the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.5*	2006 Equity Incentive Plan of the Registrant, as amended and restated November 11, 2008	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.5.1*	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.2*	Form of Notice of Stock Option Grant and Stock Option Agreement (Initial Director Grant) under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.3*	Form of Notice of Stock Option Grant and Stock Option Agreement (Annual Director Grant) under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.4*	Form of Notice of Stock Unit Grant and Stock Unit Agreement under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.5*	Form of Notice of Initial Outside Director Stock Unit Grant Under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.5.6*	Form of Notice of Annual Outside Director Stock Unit Grant Under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.5.7*	Form of Outside Director Stock Unit Agreement	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009

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Exhibit Number	Description of Exhibit	Incorporation by Reference Herein Form	Date
10.9*	Employment Agreement, dated November 30, 1999, between Gary Lauer and eHealthInsurance Services, Inc.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.9.1*	Letter Amendment, dated November 2007, amending Offer Letter dated November 30, 1999, between Gary Lauer and eHealthInsurance Services, Inc.	Quarterly Report on Form 10-Q (File No. 001-33071)	November 14, 2007
10.9.2*	Second Amendment to Offer Letter, dated December 27, 2008, amending Offer Letter dated November 30, 1999, as amended, between Gary Lauer and eHealthInsurance Services, Inc.	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.9.3*	Management Retention Agreement, effective as of March 24, 2009, between eHealth, Inc. and Gary L. Lauer	Quarterly Report on Form 10-Q (File No. 001-33071)	May 11, 2009
10.10*	Employment Agreement, dated May 4, 2000, between Stuart Huizinga and eHealthInsurance Services, Inc., as amended on August 22, 2000	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.11*	Supplemental Employment Agreement, dated August 24, 2000, between Sheldon Wang and eHealthInsurance Services, Inc.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.11.1*	Management Retention Agreement, dated January 14, 2010, between Sheldon Wang and eHealth, Inc.		
10.12*	Supplemental Employment Agreement, dated August 7, 2000, between Bruce Telkamp and eHealthInsurance Services, Inc.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.12.1*	Letter Amendment, dated September 2007, amending Offer Letter dated April 6, 2000 and Offer Letter Supplement dated August 7, 2000, between Bruce Telkamp and eHealthInsurance Services, Inc.	Quarterly Report on Form 10-Q (File No. 001-33071)	November 14, 2007
10.12.2*	Second Amendment to Offer Letter and Offer Letter Supplement, effective December 29, 2008, amending Offer Letter dated April 6, 2000, as amended, between Bruce Telkamp and eHealthInsurance Services, Inc.	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.12.3*	Management Retention Agreement, dated January 14, 2010, between Bruce Telkamp and eHealth, Inc.		

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Exhibit Number	Description of Exhibit	Incorporation by Reference Herein Form	Date
10.13*	Letter Agreement, dated November 17, 2005, between Jack L. Oliver III and the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.14	Lease Agreement, dated May 2004, between eHealthInsurance Services, Inc. and Brian Avery, Trustee of the 1983 Avery Investments Trust, as amended	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.14.1	First Amendment to Lease Agreement, effective as of May 15, 2009, between eHealthInsurance Services, Inc. and Brian Avery, Trustee of the 1983 Avery Investments Trust	Current Report on Form 8-K (File No. 001-33071)	May 21, 2009
10.15	Standard Lease Agreement, dated June 10, 2004, between eHealthInsurance Services, Inc. and Gold Pointe E LLC, as amended	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.15.1	Fourth Amendment to Standard Lease Agreement (Office), effective as of November 6, 2007, between eHealthInsurance Services, Inc. and Carlsen Investments, LLC	Current Report on Form 8-K (File No. 001-33071)	November 7, 2007
10.16	Office Lease Contract, dated March 31, 2006, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.; Appendix 1 to Office Lease Contract; and Property Management Service Contract, dated April 4, 2006, between Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.16.1	Appendix 3 to Office Lease Contract, dated November 25, 2007, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Annual Report on Form 10-K (File No. 001-33071)	March 17, 2008
10.16.2	Amendment Two to Property Management Service Contract, effective January 16, 2008, between Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Annual Report on Form 10-K (File No. 001-33071)	March 17, 2008

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Exhibit Number	Description of Exhibit	Incorporation by Reference Herein Form	Date
10.16.3	Appendix 4 to Office Lease Contract, dated March 27, 2008, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Quarterly Report on Form 10-Q (File No. 001-33071)	May 12, 2008
10.16.4	Appendix 5 to Office Lease Contract, dated May 19, 2009, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Current Report on Form 8-K (File No. 001-33071)	May 21, 2009
10.16.5	Office Lease Contract, dated September 23, 2009, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Quarter Report on Form 10-Q (File No. 001-33071)	November 9, 2009
10.16.6	Property Management Service Contract, effective September 24, 2009, between Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Quarter Report on Form 10-Q (File No. 001-33071)	November 9, 2009
10.17*	2009 Executive Bonus Plan	Quarterly Report on Form 10-Q (File No. 001-33071)	May 11, 2009
10.18*	eHealth, Inc. Performance Bonus Plan	Definitive Proxy Statement on Schedule 14A (File No. 001-33071)	April 21, 2009
21.1	List of Subsidiaries	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
23.1	Consent of Independent Registered Public Accounting Firm		
31.1	Certification of Gary L. Lauer, Chief Executive Officer of eHealth, Inc., pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		
31.2	Certification of Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		

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Exhibit Number	Description of Exhibit	Incorporation by Reference Herein Form	Date
32.1	Certification of Gary L. Lauer, Chief Executive Officer of eHealth, Inc., 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 Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		

Filed herewith.
Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.