
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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

For the transition period from _____ to _____

Commission File Number 001-33937

LiveDeal, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

85-0206668

(IRS Employer Identification No.)

6240 McLeod Drive, Suite 120

Las Vegas, Nevada

(Address of principal executive offices)

89120

(Zip Code)

(702) 939-0230

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares of the issuer's common stock, par value \$.001 per share, outstanding as of May 6, 2013 was 3,502,623.

**INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED MARCH 31, 2013**

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIVEDEAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>March 31,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
Assets		
Cash and cash equivalents	\$ 1,297,275	\$ 1,305,785
Accounts receivable, net	308,450	439,848
Prepaid expenses and other current assets	<u>143,515</u>	<u>52,614</u>
Total current assets	1,749,240	1,798,247
Accounts receivable, long term portion, net	407,028	374,570
Property and equipment, net	63,545	50,526
Deposits and other assets	22,465	35,707
Intangible assets, net	2,000,513	1,997,671
Total assets	<u>\$ 4,242,791</u>	<u>\$ 4,256,721</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 597,336	\$ 1,017,363
Accrued liabilities	<u>408,210</u>	<u>410,104</u>
Total liabilities	<u>1,005,546</u>	<u>1,427,467</u>
Stockholders' equity:		
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 issued and outstanding, liquidation preference \$38,202	10,866	10,866
Common stock, \$0.001 par value, 10,000,000 shares authorized, 3,496,340 and 2,620,486 shares issued and outstanding at March 31, 2013 and September 30, 2012, respectively	3,497	2,620
Paid in capital	29,084,081	24,400,483
Accumulated deficit	<u>(25,861,199)</u>	<u>(21,584,715)</u>
Total stockholders' equity	<u>3,237,245</u>	<u>2,829,254</u>
Total liabilities and stockholders' equity	<u>\$ 4,242,791</u>	<u>\$ 4,256,721</u>

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

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March		Six Months Ended March 31,	
	31,			
	2013	2012	2013	2012
Net revenues	\$ 555,084	\$ 821,701	\$ 1,127,619	\$ 1,673,114
Cost of services	116,913	226,608	219,549	462,427
Gross profit	<u>438,171</u>	<u>595,093</u>	<u>908,070</u>	<u>1,210,687</u>
Operating expenses:				
General and administrative expenses	1,231,531	821,434	1,993,907	1,588,242
Sales and marketing expenses	7,166	519	26,607	579
Total operating expenses	<u>1,238,697</u>	<u>821,953</u>	<u>2,020,514</u>	<u>1,588,821</u>
Operating loss	(800,526)	(226,860)	(1,112,444)	(378,134)
Other expense:				
Interest expense, net	(2,541,141)	(40,612)	(3,291,695)	(84,556)
Other income	126,200	8,250	126,200	8,250
Total other expense, net	<u>(2,414,941)</u>	<u>(32,362)</u>	<u>(3,165,495)</u>	<u>(76,306)</u>
Loss before income taxes	(3,215,467)	(259,222)	(4,277,939)	(454,440)
Income tax provision (benefit)	-	-	-	-
Loss from continuing operations	<u>(3,215,467)</u>	<u>(259,222)</u>	<u>(4,277,939)</u>	<u>(454,440)</u>
Discontinued operations				
Income from discontinued component, including disposal costs	450	229	2,413	3,809
Income tax provision (benefit)	-	-	-	-
Income from discontinued operations	<u>450</u>	<u>229</u>	<u>2,413</u>	<u>3,809</u>
Net loss	<u>\$ (3,215,017)</u>	<u>\$ (258,993)</u>	<u>\$ (4,275,526)</u>	<u>\$ (450,631)</u>
Earnings per share - basic and diluted:				
Loss from continuing operations	\$ (1.15)	\$ (0.11)	\$ (1.57)	\$ (0.27)
Discontinued operations	\$ 0.00	-	0.00	0.00
Net loss	<u>\$ (1.15)</u>	<u>\$ (0.11)</u>	<u>\$ (1.57)</u>	<u>\$ (0.27)</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>2,793,023</u>	<u>2,345,253</u>	<u>2,722,307</u>	<u>1,692,374</u>

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

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,275,526)	\$ (450,631)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	128,639	136,670
Non-cash interest expense associated with convertible debt and warrants	3,291,466	–
Stock based compensation expense	32,008	86,894
Non-cash issuance of common stock for services	110,001	–
Provision for uncollectible accounts	(5,551)	33,443
Loss on disposal of property and equipment	1,407	–
Changes in assets and liabilities:		
Accounts receivable	104,491	116,459
Prepaid expenses and other current assets	(90,901)	26,942
Deposits and other assets	13,242	(2,200)
Accounts payable	(420,023)	147,644
Accrued liabilities	(1,856)	(89,537)
Net cash provided by (used in) operating activities	<u>(1,112,603)</u>	<u>5,684</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for intangible assets	(117,500)	(8,169)
Purchases of property and equipment	<u>(28,407)</u>	<u>–</u>
Net cash used in investing activities	<u>(145,907)</u>	<u>(8,169)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease obligations	–	(31,662)
Issuance of common stock for cash	–	2,150,000
Proceeds from/(repayments on) issuance of convertible debt and warrants	<u>1,250,000</u>	<u>(250,000)</u>
Net cash provided by financing activities	<u>1,250,000</u>	<u>1,868,338</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,510)	1,865,853
CASH AND CASH EQUIVALENTS, beginning of period	<u>1,305,785</u>	<u>244,470</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 1,297,275</u>	<u>\$ 2,110,323</u>
Supplemental cash flow disclosures:		
Noncash financing and investing activities:		
Conversion of notes payable of \$1,250,000 and cash accrued interest of \$1,000 into 846,363 shares of common stock	\$ 1,251,000	\$ –
Accrued and unpaid dividends	<u>\$ 958</u>	<u>\$ 958</u>
Interest paid	<u>\$ –</u>	<u>\$ 85,314</u>

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

Note 1: Organization and Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of LiveDeal, Inc. (formerly, “YP Corp.”), a Nevada corporation, and its wholly owned subsidiaries (collectively the “Company”). The Company delivers local customer acquisition services for small and medium-sized businesses combined with online listing services to deliver an affordable way for businesses to extend their marketing reach to local, relevant customers via the Internet.

The accompanying unaudited Condensed Consolidated Balance Sheet as of September 30, 2012, which has been derived from our audited Consolidated Financial Statements, and the accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“GAAP”) for audited financial statements. In the opinion of the Company’s management, this interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and six months ended March 31, 2013 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2013. The accompanying note disclosures related to the interim financial information included herein are also unaudited. This financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2012 and for the fiscal year then ended included in the Company’s Annual Report on Form 10-K filed with the SEC on January 15, 2013.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates and assumptions have been made by management throughout the preparation of the condensed consolidated financial statements, including in conjunction with establishing allowances for customer refunds, non-paying customers, dilution and fees, analyzing the recoverability of the carrying amount of intangible assets, evaluating the merits of pending litigation, estimating forfeitures of stock-based compensation, valuing beneficial conversion features in convertible debt, and evaluating the recoverability of deferred tax assets. Actual results could differ from these estimates.

While the Company believes that its existing cash on hand is sufficient to finance our operations for the next twelve months, there can be no assurance that we will generate profitability or positive operating cash flows in the near future. To the extent that we cannot achieve profitability or positive operating cash flows, our business will be materially and adversely affected. Further, our business is likely to experience significant volatility in its revenues, operating losses, personnel involved, products or services for sale, and other business parameters, as management implements and revises our strategies and responds to operating results and market conditions.

Note 2: Balance Sheet Information

Balance sheet information is as follows:

	<u>March 31,</u> <u>2013</u> <u>(unaudited)</u>	<u>September 30,</u> <u>2012</u>
Receivables, current, net:		
Accounts receivable, current	\$ 1,704,545	\$ 1,863,067
Less: Allowance for doubtful accounts	<u>(1,396,095)</u>	<u>(1,423,219)</u>
	<u>\$ 308,450</u>	<u>\$ 439,848</u>
Receivables, long term, net:		
Accounts receivable, long term	\$ 527,407	\$ 510,587
Less: Allowance for doubtful accounts	<u>(120,379)</u>	<u>(136,017)</u>
	<u>\$ 407,028</u>	<u>\$ 374,570</u>
Total receivables, net:		
Gross receivables	\$ 2,231,952	\$ 2,373,654
Less: Allowance for doubtful accounts	<u>(1,516,474)</u>	<u>(1,559,236)</u>
	<u>\$ 715,478</u>	<u>\$ 814,418</u>

Components of allowance for doubtful accounts are as follows:

	<u>March 31,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
Allowance for dilution and fees on amounts due from billing aggregators	\$ 1,502,750	\$ 1,525,126
Allowance for customer refunds	13,724	34,111
	<u>\$ 1,516,474</u>	<u>\$ 1,559,237</u>

	<u>March 31,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
Property and equipment, net:		
Furnishings and fixtures	\$ 94,511	\$ 94,511
Office, computer equipment and other	388,686	361,685
	483,197	456,196
Less: Accumulated depreciation	(419,652)	(405,670)
	<u>\$ 63,545</u>	<u>\$ 50,526</u>

	<u>March 31,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
Intangible assets, net:		
Domain name and marketing related intangibles	\$ 1,511,650	\$ 1,511,650
Website and technology related intangibles	1,369,804	1,252,304
	2,881,454	2,763,954
Less: Accumulated amortization	(880,941)	(766,283)
	<u>\$ 2,000,513</u>	<u>\$ 1,997,671</u>

	<u>March 31,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
Accrued liabilities:		
Deferred revenue	\$ 213	\$ 2,310
Accrued payroll and bonuses	25,921	28,968
Accruals under revenue sharing agreements	63,933	67,601
Accrued expenses - other	318,143	311,225
	<u>\$ 408,210</u>	<u>\$ 410,104</u>

Note 3: Restructuring Activities

In May 2011, the Company ceased its Direct Sales business due to operating losses, declining revenues, and a change in strategic direction and migrated the remaining customers to Reach Local in exchange for 10% and 5% percent of gross revenues derived from such customers during the first and second year, respectively. The Company recorded \$271 and \$553 in revenues for this agreement during the three and six months ended March 31, 2013, respectively and \$1,091 and \$4,455 for the three and six months ended March 31, 2012, respectively.

Note 4: Stock-based Compensation

From time to time, the Company grants stock options and restricted stock awards to officers, directors, employees and consultants. These awards are valued based on the grant date fair value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the requisite service period.

Stock Options

The Company recognized compensation expense of \$32,008 during the three and six months ended March 31, 2013, and \$1,894 and \$3,788 during the three and six months ended March 31, 2012, respectively, related to stock option awards granted to certain employees and executives based on the grant date fair value of the awards, net of estimated forfeitures. The Company used the estimated forfeiture rate of awards of 10% based on actual forfeiture experience and other factors.

Pursuant to the employment agreement discussed in Note 10, the Company granted 150,000 stock options on January 15, 2013. The options were valued using the Black-Scholes pricing model with the following assumptions:

Volatility	124%
Risk-free interest rate	.36% -.55%
Expected term	3 -3.77 years
Forfeiture rate	10%
Dividend yield rate	0%

The risk free interest rate was determined based on treasury securities with maturities that approximate the expected term of the underlying award.

At March 31, 2013, the Company had \$313,685 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized over a weighted-average period of 1.75 years. The following table summarizes stock option activity for the six months ended March 31, 2013:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2012	–			
Granted	150,000	\$ 7.5		
Exercised	–			
Forfeited	–			
Outstanding at March 31, 2013	<u>150,000</u>	<u>\$ 7.5</u>	<u>6.80</u>	<u>574,500</u>
Exercisable at March 31, 2013	–	\$ –	–	–
Exercisable at March 31, 2013 and expected to vest thereafter	<u>135,000</u>	<u>\$ 7.5</u>	<u>6.80</u>	<u>517,050</u>

The following table summarizes information about the Company's stock options as of March 31, 2013:

Nonvested Shares	Number of Shares	Weighted- Average Grant-Date Fair Value
Nonvested at September 30, 2012	–	
Granted	150,000	\$ 2.56
Nonvested at March 31, 2013	<u>150,000</u>	<u>\$ 2.56</u>

Restricted Stock Awards

The Company has previously granted shares of restricted stock to certain individuals. The following table sets forth changes in compensation-related restricted stock awards during the six months ended March 31, 2013:

Outstanding (unvested) at September 30, 2012	263
Granted	–
Forfeited	–
Vested	–
Outstanding (unvested) at March 31, 2013	263

Stock Awards Granted to Directors

In September 2011, in an effort to preserve cash, our Board, after consultation with the Compensation Committee, determined to compensate members of the Board for their monthly retainer and other services as directors and/or members of the Board's various standing committees through the award of shares of the Company's common stock under the Company's Amended and Restated 2003 Stock Plan (the "2003 Stock Plan"). Under the terms of this arrangement, each non-employee director receives a monthly award of a number of fully vested shares of the Company's common stock equal to their monthly board of director fees divided by the closing market price of the Company's common stock on the grant date. An aggregate of 74,156 shares have been issued to members of the Board of Directors pursuant to such arrangement. Other than as described immediately above, no shares of the Company's common stock were issued to members of the Board during the three and six months ended March 31, 2013.

Note 5: Debt

On April 3, 2012 ("Closing Date"), the Company entered into a Note and Warrant Purchase Agreement ("Purchase Agreement") with Isaac Capital Group, LLC ("ICG") pursuant to which ICG agreed to purchase for cash up to \$2,000,000 in aggregate principal amount of the Company's unsecured Subordinated Convertible Notes ("Notes"). ICG is owned by Jon Isaac, the Company's President and Chief Executive Officer and a director on the Company's Board. Prior to this transaction, Mr. Isaac owned 403,225 shares, or 16.8% of the Company's outstanding common stock. The Purchase Agreement and the Notes, which are unsecured, provide that all amounts payable by the Company to ICG under the Notes will be due and payable on April 3, 2013 ("Maturity Date"), provided that the Company has the option in its discretion to extend the Maturity Date by up to one (1) year if no Event of Default (as defined in the Purchase Agreement) has occurred and is continuing, and the Company is in material compliance with its agreements and covenants under the Purchase Agreement and the Notes, as of the Maturity Date.

Effective as of April 3, 2012, the Company and ICG amended the Purchase Agreement to clarify ambiguities related to the warrant issuance timing and the conversion price of a Note, and to amend various anti-dilution features. These changes were consistent with the intent of the parties at the time they entered into the Purchase Agreement and are consistent with the Company's past practices related to the Notes and warrants. In particular, the amendment clarifies that the warrants will be issued upon conversion (rather than upon issuance) of the Notes and provides that the conversion price of a Note shall be based upon a floor price of \$1.00 per share, regardless if the Company's stock is trading below that amount at the time ICG elects to convert a Note.

The Purchase Agreement and the Notes, as amended, provide that:

- The Notes will accrue interest at an annual interest rate equal to 8%. All interest will be payable on the Maturity Date or upon the conversion of the applicable Note.
- The Company has the option to prepay each Note, in whole or in part, at any time without premium or penalty.
- If ICG elects to convert all or any portion of any Note, the Company must issue to ICG on the date of the conversion a warrant ("Contingent Warrant") to purchase a number of shares of the Company's common stock equal to the number of shares issuable upon conversion. This number of shares is subject to adjustment in the event of stock splits or combinations, stock dividends, certain *pro rata* distributions, and certain fundamental transactions. Each Contingent Warrant will be exercisable for a period of five (5) years following the date of its issuance at an exercise price equal to 120% of the conversion price of the applicable Note (with the exercise price being subject to adjustment under the same conditions as the number of shares for which the warrant is exercisable.) The Contingent Warrants provide that they may be exercised in whole or in part and include a cashless exercise feature.

- The Notes provide that, upon the occurrence of any Event of Default, all amounts payable to ICG will become immediately due and payable without any demand or notice.
- The Company may issue additional Notes in an aggregate principal amount of up to \$1,750,000 to ICG from time to time upon notice to ICG prior to April 3, 2013, provided that each Note must be in a principal amount of at least \$100,000.
- The Company: (i) is required to provide certain financial and other information to ICG from time to time; (ii) must maintain its corporate existence, business, assets, properties, insurance and records in accordance with the requirements set forth in the Purchase Agreement; (iii) with certain exceptions, must not incur or suffer to exist any liens or other encumbrances with respect to the Company's property or assets; (iv) must not make certain loans or investments, except in compliance with the terms of the Purchase Agreement; and (v) must not enter into certain types of transactions, including dispositions of its assets or business.

The events of default ("Events of Default") which trigger the acceleration of the Notes include (among other things): (i) the Company's failure to make any payment required under the Notes when due (subject to a three-day cure period), (ii) the Company's failure to comply with its covenants and agreements under the Purchase Agreement, the Notes and any other transaction documents, and (iii) the occurrence of a change of control with respect to the Company.

The Company issued an initial Note in the principal amount of \$250,000 to ICG ("Note No. 1") on the Closing Date. Because the conversion price of \$2.53 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$166,667. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on the Closing Date. The discount to Note No. 1 is being amortized to interest expense until maturity or its earlier repayment or conversion

As mentioned above, the Purchase Agreement, as amended, contains contingent provisions for the adjustment of the conversion ratio and conversion price, and the issuance of Contingent Warrants upon conversion.

On September 10, 2012, ICG elected to convert the Note No. 1 with a conversion price of \$2.38 per share, resulting in the issuance of 109,139 shares. In accordance with the terms of the agreement, warrants to acquire 109,139 shares were issued upon conversion with an exercise price of (\$2.38 x 120%) \$2.85 per share. Upon conversion of Note No. 1, the remaining debt discount of \$97,222 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the debt conversion of Note No. 1 was \$322,927 and was immediately recognized as interest expense.

On December 11, 2012, the Company issued a second Note to ICG in the principal amount of \$250,000 ("Note No. 2"), pursuant to the Purchase Agreement. Because the conversion price of \$2.02 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$200,738. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on December 11, 2012. On December 17, 2012, ICG elected to convert Note No. 2, resulting in the issuance of 123,829 shares of the Company's common stock and a warrant to acquire 123,829 additional shares of the Company's common stock at an exercise price of \$2.43 per share. Upon conversion of the Note No. 2, the remaining debt discount of \$196,556 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the conversion of Note No. 2 was \$550,016 and was immediately recognized as interest expense.

On March 22, 2013 and March 25, 2013, the Company issued a third and fourth Note to ICG in the principal amount of \$500,000 ("Note No. 3") and \$250,000 ("Note No. 4"), respectively, pursuant to the Purchase Agreement. Because the conversion price of \$1.38 was less than the stock price, this gave rise to beneficial conversion features valued at \$401,386. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on March 25, 2013. On March 27, 2013, ICG elected to convert Note Nos. 3 and 4, resulting in the issuance of 543,962 shares of the Company's common stock and a warrant to acquire 543,962 additional shares of the Company's common stock at an exercise price of \$1.66 per share. Upon conversion of Note Nos. 3 and 4, the remaining debt discount of \$396,977 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the conversion of Note Nos. 3 and 4 was \$1,299,884 and was immediately recognized as interest expense.

On March 28, 2013, the Company issued a fifth Note to ICG in the principal amount of \$250,000 ("Note No. 5"), pursuant to the Purchase Agreement. Because the conversion price of \$1.40 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$250,000. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on March 28, 2013. On March 28, 2013, ICG elected to convert Note No. 5, resulting in the issuance of 178,572 additional shares of the Company's common stock and a warrant to acquire 178,572 shares at an exercise price of \$1.68 per share. Upon conversion of Note No. 5, the debt discount of 250,000 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the conversion of Note No. 5 was \$589,442 and was immediately recognized as interest expense.

The Company intends to use the proceeds of all Notes issued in connection with the Purchase Agreement for working capital and other general corporate purposes.

Note 6: Equity

In September and December 2012 and March 2013, ICG elected to convert five Notes, resulting in the issuance of shares of the Company's common stock and warrants to acquire additional shares of the Company's common stock. See Note 5.

On March 20, 2013, the Company filed a Registration Statement on Form S-3 with the Securities and Exchange Commission (the "SEC"). On May 6, 2013, the Company filed an amendment to such Registration Statement on Form S-3 (as amended, the "Shelf Registration Statement"). Pursuant to the Shelf Registration Statement, which is subject to further review by the SEC and has not been declared effective as of the date of this filing, the Company may offer and sell, from time to time in one or more offerings, any combination of common stock, preferred stock, debt securities, warrants, or units having a maximum aggregate offering price of \$10,000,000. The Company intends to use the net proceeds from any sale of securities covered by the Shelf Registration Statement and the prospectus contained therein for general corporate purposes.

Note 7: Warrants

As discussed in Note 6, the Company issued several Notes and converted them resulting in the issuance of warrants.

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at September 30, 2012	109,139	\$ 2.85	4.95	\$ 253,202
Granted	846,363	1.78		
Outstanding at March 31, 2013	<u>955,502</u>	<u>\$ 1.90</u>	<u>4.89</u>	<u>\$ 1,855,472</u>
Exercisable at March 31, 2013	<u>955,502</u>	<u>\$ 1.90</u>	<u>4.89</u>	<u>\$ 1,855,472</u>

As discussed in Note 6, the Company issued several Notes and converted them resulting in the issuance of warrants. The warrants were valued using the Black-Scholes pricing model with the following assumptions:

Volatility	121%-127%
Risk-free interest rate	.74% -.89%
Expected term	5 years
Forfeiture rate	0%
Dividend yield rate	0%

Note 8: Net Loss Per Share

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Basic weighted average common shares outstanding do not include shares of restricted stock that have not yet vested, although such shares are included as outstanding shares in the Company's unaudited Condensed Consolidated Balance Sheet. Diluted net loss per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential common shares consist of the additional common shares issuable in respect of restricted share awards, stock options and convertible preferred stock. Preferred stock dividends are subtracted from net loss to determine the amount available to common stockholders.

The following table presents the computation of basic and diluted net loss per share:

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Loss from continuing operations	\$ (3,215,467)	\$ (259,222)	\$ (4,277,939)	\$ (454,440)
Less: preferred stock dividends	(479)	(479)	(958)	(958)
Loss from continuing operations applicable to common stock	(3,215,946)	(259,701)	(4,278,897)	(455,398)
Income (loss) from discontinued operations	450	229	2,413	3,809
Net loss applicable to common stock	<u>\$ (3,215,496)</u>	<u>\$ (259,472)</u>	<u>\$ (4,276,484)</u>	<u>\$ (451,589)</u>
Weighted average common shares outstanding - basic and diluted	2,793,023	2,345,253	2,722,307	1,692,374
Earnings per share - basic and diluted:				
Loss from continuing operations	\$ (1.15)	\$ (0.11)	\$ (1.57)	\$ (0.27)
Discontinued operations	0.00	—	0.00	—
Net loss	<u>\$ (1.15)</u>	<u>\$ (0.11)</u>	<u>\$ (1.57)</u>	<u>\$ (0.27)</u>

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share because the effects were anti-dilutive based on the application of the treasury stock method and because the Company incurred net losses during the period:

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Options to purchase shares of common stock	—	24,014	—	24,014
Warrants to purchase shares of common stock	722,534	—	955,502	—
Series E convertible preferred stock	127,840	127,840	127,840	127,840
Shares of non-vested restricted stock	263	1,342	263	1,342
	<u>850,637</u>	<u>153,196</u>	<u>1,083,605</u>	<u>153,196</u>

Note 9: Income Taxes

At March 31, 2013, the Company maintained a valuation allowance against its deferred tax assets. The Company determined this valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to the Company's ability to generate sufficient profits from its new business model.

During the three and six months ended March 31, 2013, the Company did not incur any income tax benefit associated with its net loss due to the establishment of a valuation allowance against deferred tax assets generated during the period.

Note 10: Commitments and Contingencies

Litigation

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of March 31, 2013, our annual results of operations, cash flows or liquidity of the Company.

Global Education Services, Inc. v. LiveDeal, Inc.

On June 6, 2008, Global Education Services, Inc., which the Company refers to as “GES,” filed a consumer fraud lawsuit against us in the King County Superior Court in the State of Washington, alleging that our use of activator checks violated the Washington Consumer Protection Act and seeking class certification pursuant to Washington law. GES sought injunctive relief against our use of activator checks, damages in an amount equal to three times the damages allegedly sustained by the members of the putative class, exemplary damages for the alleged violation of law, and its fees and costs. The Company denied the allegations of the complaint and commenced defending the litigation.

Early in 2010, the Court denied both parties’ dispositive motions, at which time they commenced settlement discussions. The parties reached a settlement and entered into a settlement agreement on or about November 5, 2012. The settlement agreement provides for \$150,000 to be paid to plaintiff’s counsel, \$10,000 to be paid to GES as the “representative plaintiff” and \$70 to be paid to each eligible putative class member who properly submits a claims form and does not opt out of the settlement. The Court granted final approval of the settlement on April 26, 2013. The Court’s order will become final when the time to appeal expires on May 27, 2013. Notice to class members has been sent and the time for the submission of claims has expired. We anticipate that the required payments will be made during the third quarter of the Company’s fiscal year. As of March 31, 2013, the Company maintains an accrual of \$160,000 related to this matter.

Sunpark 2000 LLC vs. Telco Billing, Inc.

On September 26, 2012, Sunpark 2000 LLC (“Sunpark”) filed a lawsuit against Telco Billing Inc., a subsidiary of the Company (“TBI”), before the Eighth Judicial District Court (Clark County) of the State of Nevada. The complaint alleged that TBI breached a lease agreement with Sunpark dated August 15, 2007, which by its terms leased approximately 12,635 square feet of commercial real property in Las Vegas, Nevada to TBI from November 1, 2007 until December 31, 2012. Sunpark sought lost rent damages of approximately \$357,503 and repair expenses in excess of \$2,500. TBI denied the pertinent allegations of the complaint and asserted numerous affirmative defenses. On January 14, 2013, the parties settled this matter for a payment by the Company to Sunpark in the amount of \$112,500 and Sunpark’s retention of a \$24,000 security deposit under the lease agreement. The settlement payment has been made and an Order for Dismissal with prejudice was entered by the Court on January 31, 2013.

Employment Agreements

On February 14, 2013, the Company entered into an employment agreement with Jon Isaac, pursuant to which he will continue serving as its President and Chief Executive Officer for the period from January 1, 2013 to January 1, 2016. The material terms of the employment agreement are as follows:

- 200,000 annual base salary throughout the term of the agreement
- Eligibility to receive performance-based bonuses in the sole discretion of the Company’s Compensation Committee.
- A one-time discretionary bonus of \$150,000 for services performed as President and Chief Executive Officer for the previous 12 months, to be paid in cash on or before March 31, 2013. This bonus was approved by the Company’s Compensation Committee.
- Reimbursement for reasonable housing expenses.
- Grant of options to purchase 150,000 shares of the Company’s common stock, subject to continued employment on the applicable vesting dates and the other terms and conditions summarized below:
 - 50,000 shares will vest on the first anniversary of the date of grant and be exercisable for five years after vesting at an exercise price of \$5.00 per share.
 - 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 13 months after the date of grant and ending on the second anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$7.50 per share.
 - 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 25 months after the date of grant and ending on the third anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$10.00 per share.

See Note 4 for stock option details.

Operating Leases and Service Contracts

As of March 31, 2013, future minimum annual payments under operating lease agreements for fiscal years ending September 30 are as follows:

2013	87,535
2014	180,065
2015	140,616
2016	51,833
2017	—
Thereafter	—
	<u>\$ 460,050</u>

Note 11: Concentration of Credit Risk

The Company maintains cash balances at banks in California and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution as of March 31, 2013. At times, balances may exceed federally insured limits.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC (defined below) billing areas across the United States. The Company historically has experienced significant dilution and customer credits due to billing difficulties and uncollectible trade accounts receivable. The Company estimates and provides an allowance for uncollectible accounts receivable. The handling and processing of cash receipts pertaining to trade accounts receivable is maintained primarily by three third-party billing companies. The Company is dependent upon these billing companies for collection of its accounts receivable. The billing companies and LEC's charge fees for their services, which are netted against the gross accounts receivable balance. The billing companies also apply holdbacks to the remittances for potentially uncollectible accounts. These amounts will vary due to numerous factors and the Company may not be certain as to the actual amounts on any specific billing submittal until several months after that submittal. The Company estimates the amount of these charges and holdbacks based on historical experience and subsequent information received from the billing companies. The Company also estimates uncollectible account balances and provides an allowance for such estimates. The billing companies retain certain holdbacks that may not be collected by the Company for a period extending beyond one year. Additionally, certain other billings' channels consisting of billings submitted to LEC Processors through third parties were discontinued. As such, a significant portion of the receivables at March 31, 2013 and September 30, 2012 pertaining to LEC service providers represent the holdbacks described above.

The Company has concentrations of receivables with respect to certain wholesale accounts and remaining holdbacks with Local Exchange Carrier ("LEC") service providers. Three such entities accounted for 41%, 27% and 14% of gross receivables at March 31, 2013 and 35%, 27%, and 15% of gross receivables at September 30, 2012, respectively.

Note 12: Segment Reporting

After discontinuing the Company's Direct Sales business as described in Note 3, as of March 31, 2013, the Company only operated one business segment. All of the Company's revenues are with external customers, are derived from operations in the United States, and no single customer accounts for more than 10% of the Company's revenues.

Note 13: Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, ("ASU 2011-11"). ASU 2011-11 requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective disclosure is required for all comparative periods presented. This ASU is effective for reporting periods beginning on or after January 1, 2013. Our adoption of ASU 2011-11 on January 1, 2013, did not have a material impact our financial statement.

In August 2012, the FASB issued ASU No. 2012-03, *Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22* (“ASU 2012-03”). This update was issued in order to codify various amendments and corrections included in SEC Staff Accounting Bulletin No. 114, SEC Release 33-9250, and ASU 2010-22, *Accounting for Various Topics: Technical Corrections to SEC Paragraphs*. The amendments and corrections included in this update are effective upon issuance. The adoption of ASU 2012-03 did not have an impact on the Company’s condensed consolidated financial statements.

In October 2012, the FASB issued ASU No. 2012-04, *Technical Corrections and Improvements*, (“ASU 2012-04”). This update includes source literature amendments, guidance clarification, reference corrections and relocated guidance affecting a variety of topics in the Codification. The update also includes conforming amendments to the Codification to reflect ASC 820’s fair value measurement and disclosure requirements. The amendments in this update that will not have transition guidance are effective upon issuance. The amendments in this update that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012. This ASU is effective for reporting periods beginning on or after January 1, 2013. Our adoption of ASU 2011-11 on January 1, 2013, did not have a material impact our financial statement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three and six months ended March 31, 2013, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "intends," "plans," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Quarterly Report include, but are not limited to our (i) expectation that continued growth in business demand for online advertising and websites will drive increased revenues; (ii) expectation that cost of sales will continue to be directly correlated to our use of our internal fulfillment of customers costs, (iii) belief that our existing cash on hand, together with additional cash generated from operations or obtained from other sources, such sources of cash possibly including stock issuances and loans will provide us with sufficient liquidity to meet our operating needs for the next 12 months, (iv) belief that our gross profit margin and selling, general and administrative costs will support the Company's business plans and opportunities and (v) plans to expand into new lines of business.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 under Item 1A "Risk Factors", as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may generally affect our business, results of operations and financial position. Forward-looking statements speak only as of the date the statements were made. We do not undertake and specifically decline any obligation to update any forward-looking statements. Any information contained on our website www.livedeal.com or any other websites referenced in this Quarterly Report are not part of this Quarterly Report.

Our Company

Our Company

LiveDeal, Inc., which, together with its subsidiaries, we refer to as the Company, LiveDeal, "we", "us" or "our", provides online customer acquisition services for small-to-medium sized local businesses, or "SMBs". We offer affordable tools for SMBs to extend their marketing reach to relevant prospective customers via the internet. We also provide SMBs promotional marketing with the ability to offer special deals and activities through our online publishing partners.

Our principal offices are located at 6240 McLeod Drive, Suite 120, Las Vegas, Nevada 89120. Our telephone number is (702) 939-0230. Our corporate website (which does not form part of this Report) is located at www.livedeal.com. Our common stock trades on the NASDAQ Capital Market under the symbol "LIVE".

Summary Business Description

We provide marketing solutions that boost customer awareness and merchant visibility on the internet. We recently launched two new business lines under new management after a period of re-evaluating our sales program, products, distribution methods and vendor programs. In November 2012, we commenced the sale of marketing tools that help local businesses manage their online presence under our Velocity Local™ brand, which we refer to as online presence marketing. In August 2012, we commenced sourcing local deal and activities to strategic publishing partners under our LiveDeal® brand, which we refer to as promotional marketing. We continue to actively develop, revise and evaluate these products and services and our marketing strategies and procedures.

As these business lines were launched in August 2012 and November 2012, respectively, the results have at this juncture not had a material impact on our revenues for our fiscal year 2012 or the three and six months ended March 31, 2013. We continue to generate most of our revenue from servicing our existing customers under our legacy product offerings, primarily our InstantProfile® line of products and services. Because of the change in our business strategy and product lines, we no longer accept new customers under our legacy product offerings.

Changes in Business Strategies

We have been engaged in a significant re-evaluation of and adjustment to our business strategy over the last several years. The focus of these efforts has been twofold: (i) to make our product offerings more appealing in the evolving market for assisting SMBs with their online marketing challenges; and (ii) to move ahead of our competitors in this market segment. In connection with this re-evaluation, we terminated all new sales under our direct sales business line on December 1, 2010, and on July 15, 2011, we discontinued all new sales of our InstantProfile® product. As a result of the cessation of our marketing efforts to acquire new customers, and the attrition of existing customers, our net revenues continued to decline, from \$821,701 and \$1,673,114 for the three and six months ended March 31, 2012, respectively, to \$555,084 and \$1,127,619 for the three and six months ended March 31, 2013, respectively.

In March 2010, we evaluated our business and adopted a new business strategy that addressed each of our business segments as separate entities and re-launched and restructured our legacy line of business. This evaluation was necessitated by the challenges facing our direct sales business lines that provide internet-based customer acquisition strategies for SMBs, as well as declining revenues from our traditional business line (i.e. directory services). Additionally, current economic and regulatory forces, both general and specific to our industry, impacted our consideration of our existing business model and strategy.

As a result, we decided during the second quarter of fiscal 2010 to move our strategic focus towards our directory services business and to bring it up to current market standards and regulatory requirements and away from our direct sales business line. This strategy culminated in the termination of all new sales under our direct sales business line on December 1, 2010. In March 2011, we made the strategic decision to discontinue our direct sales business and product offerings, and in May 2011, we transferred the remaining customers to Reach Local in exchange for 10% and 5% percent of gross revenues derived from such customers during the first and second year, respectively.

Our strategic focus then switched to delivering a suite of internet-based, local search driven, customer acquisition services for SMBs, sold via telemarketing using LEC billing channels as well as other billing channels and targeting all segments of the SMB market through our Velocity Marketing Concepts, Inc. subsidiary. We paused new Velocity sales on July 15, 2011 while we re-evaluated our current and future sales programs.

While we continue to generate most of our revenue from servicing our existing customers under our legacy product offerings, primarily our InstantProfile® line of products and services, because of the changes in our business strategy and product lines, we no longer accept new customers for these products.

Restructuring Activities

In May 2011, we ceased the direct sales business line and transferred the remaining customers to Reach Local. In connection therewith, we eliminated seven full-time employee positions and recorded non cash impairment charges of \$367,588, consisting of the write-off of net intangible assets, in fiscal 2011. The Direct Sales business segment accounted for \$0 of net revenues for the three and six months ended March 31, 2013 and 2012.

Changes in Principal Officers and Directors

On December 12, 2011, we entered into a Securities Purchase Agreement with each of Isaac Capital Group LLC, or ICG, John Kocmur, Kingston Diversified Holdings LLC, or Kingston, and two other investors, pursuant to which we issued and sold an aggregate of 1,612,899 shares of our common stock for an aggregate purchase price of \$2.0 million. Each of ICG, Kocmur and Kingston, whom we refer to as the "Lead Purchasers", invested \$500,000 and were issued 403,225 shares of stock, and the two other investors each invested \$250,000 and were issued 201,612 shares of stock.

Pursuant to the Securities Purchase Agreement, on December 12, 2011, our Board increased the number of authorized directors of the Company to eight directors and appointed Jon Isaac, the owner of ICG, Tony Isaac, the father of Jon Isaac, and John Kocmur to fill the vacancies created by the increase in the size of the full Board. These directors were designated for appointment to our Board by the Lead Purchasers in accordance with their rights under the Securities Purchase Agreement described above.

On January 13, 2012, our Board terminated the employment of Kevin Hall, our Chief Executive Officer, effective as of January 20, 2012.

On or about January 20, 2012, Mr. Hall and Sheryle Bolton resigned as members of our Board, and on January 25, 2012, our Board appointed Dennis Gao as a director to fill the vacancy created by Ms. Bolton's resignation.

On May 20, 2012, the employment of Larry M. Tomsic, the Company's Chief Financial Officer, was terminated. We are in the process of evaluating our needs for a Chief Financial Officer or Controller. Currently, Jon. Isaac is functioning as our Principal Financial Officer.

Effective as of January 20, 2012, the Company appointed Jon Isaac to serve as its Chief Executive Officer and President.. Although the Company did not enter into a written employment agreement with Mr. Isaac, he was paid an annual salary of \$1 for his services as the Company's Chief Executive Officer and President and was eligible to receive bonuses in such forms and amounts as determined by the Company's Compensation Committee.

On February 14, 2013, the Company entered into a written Employment Agreement with Mr. Isaac (the "Agreement"), pursuant to which he will continue serving as its Chief Executive Officer and President for the period from January 1, 2013 to January 1, 2016. The material terms of the Agreement are as follows:

- \$200,000 annual base salary throughout the term of the Agreement;
- Eligibility to receive performance-based bonuses in the sole discretion of the Company's Compensation Committee;
- A one-time discretionary bonus of \$150,000 for services performed as President and Chief Executive Officer for the previous 12 months, to be paid in cash on or before March 31, 2013. This bonus was approved by the Company's Compensation Committee;
- Reimbursement for reasonable housing expenses; and
- Grant of options to purchase 150,000 shares of the Company's common stock, subject to continued employment on the applicable vesting dates and the other terms and conditions summarized below:
 - o 50,000 shares will vest on the first anniversary of the date of grant and be exercisable for five years after vesting at an exercise price of \$5.00 per share;
 - o 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 13 months after the date of grant and ending on the second anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$7.50 per share; and
 - o 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 25 months after the date of grant and ending on the third anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$10.00 per share.

Current Business Strategy

Under new management, we continued the process of evaluating our business strategy and to cut costs. In August 2012, we commenced sourcing local deals and activities to strategic publishing partners under our LiveDeal® brand, which we refer to as promotional marketing. In November 2012, we commenced the sale of marketing tools that help local businesses manage their online presence under our Velocity Local™ brand, which we refer to as "online presence marketing." We continue to actively develop, revise and evaluate these products and services and our marketing strategies and procedures.

In connection with our new promotional marketing business line, on August 16, 2012, we completed our acquisition of substantially all of the assets of LiveOpenly, Inc., a California corporation, which we refer to as "LiveOpenly." The acquired assets utilized in connection with the business of LiveOpenly. That business sourced, published and sold discounted offers for goods and services through local retail merchants. Under the terms of the asset acquisition, we acquired LiveOpenly's sourcing contracts, software, customer lists, trademarks, domain names and related assets in exchange for the issuance of 75,000 shares of our common stock. In connection with this acquisition, the Company recorded \$420,000 of net assets, consisting entirely of intangible assets. No goodwill was recognized as the purchase price equaled the net assets received. In connection with this acquisition, we engaged Ejimofor Umenyiora, the former Director of Sales of LiveOpenly, as an independent contractor.

Because of the infancy of our new lines of business, we have yet to generate significant revenue from our online presence marketing or our promotional marketing lines of business. Given that we have not been accepting new customers for our legacy product offerings since July 2011 and that we did not launch our new product offerings until August 2012, our revenues have declined in the three and six months ending March 31, 2013 as compared to three and six months ending March 31, 2012.

Results of Operations

The following sets forth a discussion of our financial results for the three and six months ended March 31, 2013 as compared to the three and six months ended March 31, 2012. In evaluating our business, management reviews several key performance indicators including new customers, total customers in each line of business, revenues per customer, and customer retention rates. However, given the changing nature of our business strategy, we do not believe that presentation of these metrics would reveal any meaningful trends in our operations that are not otherwise apparent from the discussion of our financial results below.

Net Revenues

	Net Revenues			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ 555,084	\$ 821,701	\$ (266,617)	(32%)
Six Months Ended March 31,	\$ 1,127,619	\$ 1,673,114	\$ (545,495)	(33%)

Net revenues decreased in the second quarter and the first six months of fiscal 2013 as compared to the second quarter and the first six months of fiscal 2012 primarily due to the decrease in legacy revenues, which was slightly offset by increases in revenues for new products.

Cost of Services

	Cost of Services			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ 116,913	\$ 226,608	\$ (109,695)	(48%)
Six Months Ended March 31,	\$ 219,549	\$ 462,427	\$ (242,878)	(53%)

Cost of services decreased in the second quarter and first six months of fiscal 2013 as compared to the second quarter and the first six months of fiscal 2012 primarily due to decreased costs associated with the decline in the number of our customers and the provisioning of fulfillment services, which is now done by us rather than outside vendors.

Gross Profit

	Gross Profit			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ 438,171	\$ 595,093	\$ (156,922)	(26%)
Six Months Ended March 31,	\$ 908,070	\$ 1,210,687	\$ (302,617)	(25%)

Gross profit decreased in the second quarter and first six months of fiscal 2013 as compared to the second quarter and first six months of fiscal 2012 primarily due to the decreased cost of fulfillment services and decrease in revenues as described above.

General and Administrative Expenses

	General and Administrative Expenses			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ 1,231,531	\$ 821,434	\$ 410,097	50%
Six Months Ended March 31,	\$ 1,993,907	\$ 1,588,242	\$ 405,665	26%

General and administrative expenses increased in three months ended March 31, 2013 as compared to the three months ended March 31, 2012 primarily due to the following:

- Increased compensation costs of approximately \$430,804 due to the opening of the call center in October of 2012.
- Increased professional fees of \$22,260 related to:
 - Increase in marketing consultant fees of \$138,
 - Increase in other miscellaneous consultant costs of \$17,352, due to use of accounting consultant.
 - Increase in IT consultant fees of \$3,929, due to programmer for CRM.
 - Increase in accounting fees of \$37,029, due to increased audit fees, partially offset by a
 - Reduction of legal fees of \$36,188, due to using cost effective attorneys.
- Decreased depreciation and amortization expense of \$2,318 related to assets being fully depreciated.
- Other expense decreases of \$40,649, including rent and utilities, services and fees, office and supplies expenses, office closure expenses, travel and entertainment and other corporate expenses associated with our office closures, reductions in force and other cost containment initiatives.

General and administrative expenses increased in the first six months of fiscal 2013 as compared to the first six months of fiscal 2012 primarily due to the following:

- Increased compensation costs of approximately \$525,541 due to the opening of the call center in October of 2012.
- Increased professional fees of \$123,254 related to:
 - Increase of legal fees of \$29,477, related to LiveOpenly purchase and intellectual property review,
 - Increase in other miscellaneous consultant costs of \$47,055, due to use of accounting and sales and marketing consultants,
 - Increase in marketing consultant fees of \$2,095 due to corporate marketing,
 - Increase in accounting fees of \$58,292, primarily due to additional audit fees , partially offset by a
 - Decrease in IT consultant fees of \$13,665, due to change in programmers,
- Decreased depreciation and amortization expense of \$8,033 related to assets being fully depreciated..
- Other expense decreases of \$235,099, including rent and utilities, services and fees, office and supplies expenses, office closure expenses, travel and entertainment and other corporate expenses associated with our office closures, reductions in force and other cost containment initiatives.

The following table sets forth our recent operating performance for general and administrative expenses:

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Compensation for employees, leased employees, officers and directors	726,137	436,062	242,490	378,700	295,333
Professional fees	248,663	234,799	254,549	110,706	226,403
Depreciation and Amortization	65,073	63,566	67,635	55,669	67,391
Other general and administrative costs	191,658	27,947	244,740	347,278	232,301

Sales and Marketing Expenses

	Sales and Marketing Expenses			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ 7,166	\$ 519	\$ 6,647	1281%
Six Months Ended March 31,	\$ 26,607	\$ 579	\$ 26,028	4495%

Sales and marketing expenses increased in the second quarter and first six months of fiscal 2013 as compared to the second quarter and first six months of fiscal 2012 primarily due to costs of approximately \$17,000 related to the production of a promotional video.

Operating Loss

	Operating Loss			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ (800,526)	\$ (226,860)	\$ (573,666)	253%
Six Months Ended March 31,	\$ (1,112,444)	\$ (378,134)	\$ (734,310)	194%

The increase in operating loss for the second quarter and first six months of fiscal 2013 as compared to the second quarter and first six months of fiscal 2012 reflect a variety of changes in net revenues, cost of services, general and administrative expenses and sales and marketing expenses, each of which is described above.

Total Other Income (Expense)

	Total Other Expense			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ (2,414,941)	\$ (32,362)	\$ (2,382,579)	7362%
Six Months Ended March 31,	\$ (3,165,495)	\$ (76,306)	\$ (3,089,189)	4048%

The large increase in other income (expense) is primarily due to interest expense relating to the issuance of debt and the conversion of the Notes to warrants in December 2012 and March 2013. See Note 5 for more discussion.

Net Loss

	Net Loss			
	2013	2012	Change	Percent
Three Months Ended March 31,	\$ (3,215,017)	\$ (258,993)	\$ (2,956,024)	(1141%)
Six Months Ended March 31,	\$ (4,275,526)	\$ (450,631)	\$ (3,824,895)	(849%)

The increase in net loss for the second quarter and the first six months of fiscal 2013, as compared to the second quarter and the first six months of 2012, is primarily attributable to changes in operating income, other income (expense) and discontinued operations, each of which is described above.

Liquidity and Capital Resources

Net cash used in operating activities was approximately \$(1,112,603) for the first six months of fiscal 2013 as compared to cash provided by operating activities of approximately \$5,684 for the first six months of fiscal 2012. This change was due to an increase of \$3,824,895 in our net loss partially offset by an increase of non-cash expenses of approximately \$3,300,963 which included \$3,291,466 of interest expense associated with convertible debt and warrants, depreciation expense, stock compensation and bad debt expense. Changes in working capital and other current assets caused a decrease in operating cash flows of \$395,047 during the first six months of fiscal 2013 as compared to an increase in operating cash flows of \$199,308 for the first six months of fiscal 2012. This working capital variance resulted primarily from the changes in accrued liabilities, prepaid expenses and other current assets. Our primary source of cash inflows has historically been net remittances from directory services customers processed in the form of ACH billings and LEC billings.

Our most significant cash outflows include payments for general operating expenses, including payroll costs, and general and administrative expenses that typically occur within close proximity of expense recognition.

Our cash flows used in investing activities during the first six months of fiscal 2013 consisted of \$117,500 of expenditures for intangible assets and approximately \$28,000 of purchases of equipment. Our cash flows used in investing activities during the first six months of fiscal 2012 consisted of \$8,169 of expenditures for intangible assets.

During the first six months of fiscal 2013, our cash flows from financing activities consisted of \$1,250,000 received from the issuance of convertible debt and warrants. During the first six months of fiscal 2012, our cash flows from financing activities consisted of \$2,150,000 received from the issuance of stock to investors, partially offset by \$31,622 of payments on capital lease obligations and \$250,000 of repayments of notes payable.

We had working capital of \$743,695 as of March 31, 2013 compared to \$370,780 as of September 30, 2012 with current assets decreasing by \$49,007 and current liabilities decreasing by \$421,922 from September 30, 2012 to March 31, 2013. Such changes in working capital are primarily attributable to the increase in our operating net loss and the results of our financing activities.

On March 20, 2013, the Company filed a Registration Statement on Form S-3 (File No. 333-187397) with the Securities and Exchange Commission (the "SEC"). On May 6, 2013, the Company filed an amendment to such Registration Statement on Form S-3 (as amended, the "Shelf Registration Statement"). Pursuant to the Shelf Registration Statement, which is subject to further review by the SEC and has not been declared effective as of the date of the filing of this Report, the Company may offer and sell, from time to time in one or more offerings, any combination of common stock, preferred stock, debt securities, warrants, or units having a maximum aggregate offering price of \$10,000,000. Except as otherwise provided in the applicable prospectus supplement, the Company intends to use the net proceeds from any sale of securities covered by the Shelf Registration Statement and the prospectus contained therein for general corporate purposes, which may include (without limitation) working capital, capital expenditures, research and development expenditures, and acquisitions of new technologies or businesses. The precise amount, use and timing of the application of such proceeds would depend upon the Company's funding requirements and the availability and cost of other capital. No securities of the Company will be offered or sold unless and until: (i) the SEC declares the Shelf Registration Statement to be effective; and (ii) the Company files with the SEC and makes available to investors a prospectus supplement containing the specific terms of the securities to be offered and sold.

While we believe that our existing cash on hand is sufficient to finance our operations for the next twelve months, there can be no assurance that we will generate profitability or positive operating cash flows in the near future. To the extent that we cannot achieve profitability or positive operating cash flows, our business will be materially and adversely affected. Further, our business is likely to experience significant volatility in our revenues, operating losses, personnel involved, products or services for sale, and other business parameters, as management implements our new strategies and responds to operating results.

Contractual Obligations

The following table summarizes our contractual obligations at March 31, 2013 and the effect such obligations are expected to have on our future liquidity and cash flows:

2013	87,535
2014	180,065
2015	140,616
2016	51,833
2017	—
Thereafter	—
	<u>\$ 460,050</u>

Off-Balance Sheet Arrangements

At March 31, 2013, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer and principal financial officer) of the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (“Exchange Act”) Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Chief Executive Officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting. There have been no changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the three months ended March 31, 2013 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of March 31, 2013, our annual results of operations or cash flows, or our liquidity.

Global Education Services, Inc. v. LiveDeal, Inc.

Global Education Services, Inc. v. LiveDeal, Inc.

On June 6, 2008, Global Education Services, Inc., which we refer to as "GES," filed a consumer fraud lawsuit against us in the King County Superior Court in the State of Washington, alleging that our use of activator checks violated the Washington Consumer Protection Act and seeking class certification pursuant to Washington law. GES sought injunctive relief against our use of activator checks, damages in an amount equal to three times the damages allegedly sustained by the members of the putative class, exemplary damages for the alleged violation of law and its fees and costs. We denied the allegations of the complaint and commenced defending the litigation.

Early in 2010, the Court denied both parties' dispositive motions, at which time they commenced settlement discussions. The parties reached a settlement and entered into a settlement agreement on or about November 5, 2012. The settlement agreement provides for \$150,000 to be paid to plaintiff's counsel, \$10,000 to be paid to GES as the "representative plaintiff" and \$70 to be paid to each eligible putative class member who properly submits a claims form and does not opt out of the settlement. The Court granted final approval of the settlement on April 26, 2013. The Court's order will become final when the time to appeal expires on May 27, 2013. Notice to class members has been sent and the time for the submission of claims has expired. We anticipate that the required payments will be made during the third quarter of the Company's fiscal year. As of March 31, 2013, the Company maintains an accrual of \$160,000 related to this matter.

Sunpark 2000 LLC vs. Telco Billing, Inc.

On September 26, 2012, Sunpark 2000 LLC ("Sunpark") filed a lawsuit against Telco Billing Inc., a subsidiary of ours ("TBI"), before the Eighth Judicial District Court (Clark County) of the State of Nevada. The complaint alleged that TBI breached a lease agreement with Sunpark dated August 15, 2007, which by its terms leased approximately 12,635 square feet of commercial real property in Las Vegas, Nevada to TBI from November 1, 2007 until December 31, 2012. Sunpark sought lost rent damages of approximately \$357,503 and repair expenses in excess of \$2,500. TBI filed an answer to the complaint denying the pertinent allegations of the complaint and asserting numerous affirmative defenses. On January 14, 2013, the parties settled this matter for a payment by the Company to Sunpark in the amount of \$112,500 and Sunpark's retention of a \$24,000 security deposit under the lease agreement. The settlement payment has been made and an Order for Dismissal with prejudice was entered by the Court on January 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

On April 3, 2012, which we refer to as the closing date, we entered into a Note and Warrant Purchase Agreement ("Purchase Agreement"), with Isaac Capital Group LLC ("ICG"), pursuant to which ICG agreed to purchase for cash up to \$2,000,000 in aggregate principal amount of our unsecured Subordinated Convertible Notes ("Notes"). ICG is owned by Jon Isaac, our President and Chief Executive Officer and a director on our Board, which prior to this transaction owned 403,225 shares, or 16.8% of our outstanding shares of common stock. Reference is made to Note 5 of the notes to our consolidated financial statements for additional disclosures about the note Purchase Agreement.

Either ICG or we may elect at any time to convert all or any portion of any outstanding Note (including all principal and accrued interest) into: (i) a number of shares of our common stock equal to the dollar amount being converted divided by the conversion price; and, (ii) a warrant exercisable for a period of five (5) years following the date of its issuance for a number of shares equal to the same number of shares as are issuable upon conversion of the Note (as provided in clause (i) above), at an exercise price equal to 120% of the conversion price. Subject to adjustment for stock splits and combinations, share reclassifications, certain fundamental transactions and certain share issuances, the conversion price will be equal to 60% of the lesser of: (iii) \$3.96, which was the closing bid price of our common stock on the closing date; and (iv) the 10-day weighted average closing bid price of our common stock for the 10 business days immediately preceding the date of the applicable notice of conversion subject to a minimum of \$1.00. The exercise price of the warrant is subject to similar adjustments.

We issued an initial Note in the principal amount of \$250,000 to ICG (“Note No. 1”) on the closing date. On September 10, 2012, ICG elected to convert the entire principal balance plus accrued interest on Note No. 1 at a conversion price of \$2.38 per share, resulting in the issuance of 109,139 shares of our common stock and a warrant to acquire 109,139 additional shares of our common stock at an exercise price of \$2.85 per share.

We issued a second Note in the principal amount of \$250,000 to ICG (“Note No. 2”) on December 11, 2012. On December 17, 2012, ICG elected to convert Note No. 2 with a conversion price of \$2.02 per share, resulting in the issuance of 123,829 shares of our common stock and a warrant to acquire 123,829 additional shares of our common stock at an exercise price of \$2.43 per share.

On March 22, 2013 and March 25, 2013, we issued a third and fourth Note to ICG in the principal amount of \$500,000 (“Note No. 3”) and \$250,000 (“Note No. 4”), respectively. On March 27, 2013, ICG elected to convert the Note Nos. 3 and 4 with a conversion price of \$1.38 per share, resulting in the issuance of 543,962 shares of our common stock and a warrant to acquire 543,962 additional shares of our common stock at an exercise price of \$1.66 per share.

We issued a fifth Note in the principal amount of \$250,000 to ICG (“Note No. 5”) on March 28, 2013. On March 28, 2013, ICG elected to convert Note No. 5 with a conversion price of \$1.40 per share, resulting in the issuance of 178,572 shares of our common stock and a warrant to acquire 178,572 additional shares of our common stock at an exercise price of \$1.68 per share.

We offered and sold these Notes, warrants and shares without registration under the Securities Act of 1933 to an accredited investor in reliance upon the exemption from the registration contained in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. These Notes, warrants and shares may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Securities Act. An appropriate legend has been placed on the certificates we issued to represent these securities.

ITEM 6. EXHIBITS

The following exhibits are being filed herewith:

<u>Exhibit Number</u>	<u>Description</u>
10.1	Employment Agreement, dated as of April 30, 2013, by and between the Registrant and Jon Isaac
31	Certification of Jon Isaac pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Section 1350 Certification of Jon Isaac
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LiveDeal, Inc.

Dated: May 14, 2013

/s/ Jon Isaac

Jon Isaac

Chief Executive Officer and President

(Principal Executive Officer and Principal Financial Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“**Agreement**”) is made and entered into effective as of January 1, 2013 (“**Effective Date**”) by and between LiveDeal, Inc., a Nevada corporation (the “**Company**”) and Jon Isaac (“**Executive**”).

In consideration of the mutual promises, covenants and agreements herein contained, intending to be legally bound, the parties agree as follows:

1. **Employment.** The Company hereby agrees to employ Executive, and Executive hereby agrees to serve, subject to the provisions of the Agreement, as an employee of the Company in the position of President and Chief Executive Officer. Executive will perform all services and acts reasonably necessary to fulfill the duties and responsibilities of his positions and will render such services on the terms set forth herein and will report to the Company’s Board of Directors (the “**Board**”). In addition, Executive will have such other executive and managerial powers and duties with respect to the Company as may reasonably be assigned to him by the Board, to the extent consistent with his positions and status as set forth above. Executive is obligated to devote his full time, attention and energies to perform the duties assigned hereunder and Executive agrees to perform such duties diligently, faithfully and to the best of his abilities. Notwithstanding the foregoing, Company acknowledges and agrees that during the Term, Executive shall have the right to have a “financial interest” in or serve as a consultant, officer or director of any non-competing business, subject to advance Board approval; provided that Executive agrees that engaging in such outside activities shall not interfere with the performance of Executive’s full-time duties hereunder. Executive acknowledges that any such outside activities that involve an entity other than the Company or its subsidiaries will involve an entity independent of the Company and any actions or decisions Executive takes or makes on behalf of such entity will not be imputed to the Company or its subsidiaries.

2. **Term.** This Agreement is for a three-year period (the “**Term**”) commencing on the Effective Date hereof and terminating on the third anniversary of the Effective Date, or upon the date of termination of employment pursuant to Section 6 of this Agreement; provided, however, that the Term may be extended as mutually agreed to by the parties.

3. **Compensation.**

(a) **Salary.** Executive shall be paid a salary at the annual rate of \$200,000 (the “**Salary**”). The Salary will at all times be payable in accordance with the Company’s regular payroll practices and subject to all applicable withholdings, including taxes.

(b) **Performance Bonuses.** Executive will be eligible to receive an annual performance bonus at the sole discretion of the Compensation Committee of the Board or the entire Board; provided, however, that Executive shall be entitled to receive a one-time discretionary bonus of \$150,000 for services performed as President and Chief Executive Officer for the previous 12 months, to be paid in cash on or before March 31, 2013. All bonuses payable will be subject to all applicable withholdings, including taxes.

(c) **Stock Option.** Executive is entitled to an option to purchase from the Company for cash all or any part of an aggregate of 150,000 shares of the Company’s common stock (the “**Option**”), subject to continued employment on the applicable vesting dates and the other terms and conditions summarized below, including that Executive continues to be employed by the Company in during the specified vesting periods:

(i) 50,000 shares will vest on the first anniversary of the Effective Date and be exercisable for five years after vesting at an exercise price of \$5.00 per share.

(ii) 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 13 months after the Effective Date and ending on the second anniversary of the Effective Date, and be exercisable for five years after vesting at an exercise price of \$7.50 per share.

(iii) 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 25 months after the Effective Date and ending on the third anniversary of the Effective Date, and be exercisable for five years after vesting at an exercise price of \$10.00 per share.

The Option will be granted pursuant to the Company's 2003 Stock Plan or a successor plan and the Company's standard form of Non-Qualified Stock Option Agreement. The Option granted under this Agreement is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

4. Business Expenses. During the Term, the Company will reimburse Executive for all reasonable business expenses incurred by him in connection with his employment and the performance of his duties as provided hereunder, upon submission by the Executive of receipts and other documentation in conformance with the Company's normal procedures for executives of Executive's position and status, including a reasonable housing expense.

5. Benefits. During the Term, Executive will be eligible to participate fully in all health and benefit plans available to senior officers of the Company generally, as the same may be amended from time to time by the Board. Executive shall be entitled to four weeks of annual vacation in accordance with the Company's standard vacation policy for executives.

6. Termination of Employment.

(a) Notwithstanding any provision of this Agreement to the contrary, the employment of Executive hereunder is at-will and will terminate on the first to occur of the following dates:

(i) the date of Executive's death;

(ii) the date on which Executive has experienced a Disability (as defined below), and the Company gives Executive notice of termination on account of Disability;

(iii) the date on which Executive has engaged in conduct that constitutes Cause (as defined below), and the Company gives notice of termination for Cause;

(iv) the date on which Executive voluntarily terminates his relationship with the Company; or

(v) the date on which the Company gives Executive notice of termination for any reason other than the reasons set forth in Sections 6(a)(i) through (iv) above.

(b) For purposes of this Agreement, "**Disability**" will mean an illness, injury or other incapacitating condition as a result of which Executive is unable to perform, with reasonable accommodation, the services required to be performed under this Agreement for 30 consecutive days during the Term. Executive agrees to submit to such medical examinations as may be necessary to determine whether a Disability exists, pursuant to such reasonable requests made by the Company from time to time. Any determination as to the existence of a Disability will be made by a physician mutually selected by the Company and Executive.

(c) For purposes of this Agreement, “Cause” will mean the occurrence of any of the following events, as reasonably determined by the Board:

(i) Executive’s willful and continued refusal to substantially perform his duties hereunder, which the Company has given the Executive notice of in writing and which the Executive has not cured within 30 days of the receipt of such notice;

(ii) Executive’s conviction of a felony, or his guilty plea to or entry of a nolo contendere plea to a felony charge; or

(iii) Executive’s breach of any material term of this Agreement or the Company’s written policies and procedures, as in effect from time to time; which the Company has given the Executive notice of in writing and which the Executive has not cured within 10 days of the receipt of such notice.

(d) Following termination of Executive’s employment with the Company for any reason, Executive shall fully cooperate with the Company in all matters relating to the winding up of Employee’s pending work including, but not limited to, any litigation in which the Company is involved, and the orderly transfer of any such pending work to such other employees as may be designated by the Company.

7. Compensation in Event of Termination. Upon termination of this Agreement and Executive’s employment, the Company will have no further obligation to Executive except Executive will be entitled to payment of any earned but unpaid Salary through the date of termination. Any earned but unpaid bonuses, fees or payments due to Executive hereunder shall be paid to Executive as set forth herein.

8. Confidentiality. Executive covenants and agrees that he will not at any time during or after the end of the Term, without written consent of the Company or as may be required by law or valid legal process, directly or indirectly, use for his own account, or disclose to any person, firm or corporation, other than authorized officers, directors, attorneys, accountants and employees of the Company or its subsidiaries, Confidential Information (as hereinafter defined) of the Company. As used herein, “**Confidential Information**” of the Company means information about the Company of any kind, nature or description, including but not limited to, any proprietary information, trade secrets, data, formulae, supplier, client and customer lists or requirements, price lists or pricing structures, marketing and sales information, business plans or dealings and financial information and plans as well as papers, resumes and records (including computer records) that are disclosed to or otherwise known to Executive as a direct or indirect consequence of Executive’s employment with the Company or service as a member of the Board, which information is not generally known to the public or in the businesses in which the Company is engaged. Confidential Information also includes any information furnished to the Company by a third party with restrictions on its use or further disclosure.

9. Inventions Assignment. Executive hereby sells, transfers and assigns to the Company or to any person, or entity designated by the Company, all of the entire right, title and interest of the Executive in and to all inventions, ideas, disclosures and improvements, whether patented or unpatented, and copyrightable material, made or conceived by the Executive, solely or jointly, or in whole or in part, during or before the term hereof, which (i) relate to methods, apparatus, designs, products, processes or devices sold, leased, used or under construction or development by the Company, or (ii) otherwise relate to or pertain to the business, functions or operations of the Company. Executive shall communicate promptly and disclose to the Company, in such form as the Company requests, all information, details and data pertaining to the aforementioned inventions, ideas, disclosures and improvements; and, whether during the term hereof or thereafter, the Executive shall execute and deliver to the Company such formal transfers and assignments and such other papers and documents as may be required of the Executive to permit the Company or any person or entity designated by the Company to file and prosecute the patent applications and, as to copyrightable material, to obtain copyright thereon. Any invention by the Executive within one year following the termination of this Agreement shall be deemed to fall within the provisions of this paragraph unless proved by the Executive to have been first conceived and made following such termination.

10. Dispute Resolution. Except for an action exclusively seeking injunctive relief, any disagreement, claim or controversy arising under or in connection with this Agreement, including Executive's employment or termination of employment with the Company will be resolved exclusively by arbitration before a single arbitrator in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "**Rules**"), provided that, the arbitrator will allow for discovery sufficient to adequately arbitrate any claims, including access to essential documents and witnesses; provided further, that the Rules will be modified by the arbitrator to the extent necessary to be consistent with applicable law. The arbitration will take place in Las Vegas, Nevada. The award of the arbitrator with respect to such disagreement, claim or controversy will be in writing with sufficient explanation to allow for such meaningful judicial review as permitted by law, and that such decision will be enforceable in any court of competent jurisdiction and will be binding on the parties hereto. The remedies available in arbitration will be identical to those allowed at law. The arbitrator will be entitled to award reasonable attorneys' fees to the prevailing party in any arbitration or judicial action under this Agreement, consistent with applicable law. The Company and Executive each will pay its or his own attorneys' fees and costs in any such arbitration, provided that, the Company will pay for any costs, including the arbitrator's fee, that Executive would not have otherwise incurred if the dispute were adjudicated in a court of law, rather than through arbitration.

11. Binding Agreement.

(a) This Agreement is a personal contract and the rights and interests of Executive hereunder may not be sold, transferred, assigned, pledged, encumbered or hypothecated by him, provided that all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by Executive's personal or legal representatives, executors, heirs, administrators, successors, distributors, devisees and legatees.

(b) In addition to any obligations imposed by law, any successor to Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the assets of the Company, is bound by this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

12. Disclosure Obligations. During the Term, Executive agrees to make prompt and full disclosure to the Company of any change of facts or circumstances that may affect Executive's obligations undertaken and acknowledged herein, and Executive agrees that the Company has the right to notify any third party of the existence and content of Executive's obligations hereunder

13. Return of Company Property. Executive agrees that following the termination of his employment or service as a member of the Board for any reason, he will promptly return all property of the Company, its subsidiaries, affiliates and any divisions thereof he may have managed that is then in or thereafter comes into his possession, including, but not limited to, documents, contracts, agreements, plans, photographs, books, notes, electronically stored data and all copies of the foregoing, as well as any materials or equipment supplied by the Company to Executive.

14. Entire Agreement. This Agreement contains all the understandings between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or written, previously entered into by them with respect thereto. Executive represents that, in executing this Agreement, he does not rely, and has not relied, on any representation or statement not set forth herein made by the Company with regard to the subject matter, bases or effect of this Agreement otherwise.

15. Amendment or Modification, Waiver. No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by Executive and by a duly authorized officer of the Company. The failure of either party to this Agreement to enforce any of its terms, provisions or covenants will not be construed as a waiver of the same or of the right of such party to enforce the same. Waiver by either party hereto of any breach or default by the other party of any term or provision of this Agreement will not operate as a waiver of any other breach or default.

16. Notices. Any notice to be given hereunder will be in writing and will be deemed given when delivered personally, sent by courier or fax or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To Executive at:

Jon Isaac

Phone: (____) ____-_____

To the Company at:

LiveDeal, Inc.
6240 McLeod Drive, Suite 120
Las Vegas, NV 89120
Phone: (702) 939-0230
Fax: (702) 939-0246
Attention: CFO

With a copy (which shall not constitute notice hereunder) to:

Daniel M. Mahoney, Esq.
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren St.
Phoenix, Arizona 85004
Phone: (602) 382-6206
Fax: (602) 382-6070

Any notice delivered personally or by courier under this Section will be deemed given on the date delivered. Any notice sent by fax or registered or certified mail, postage prepaid, return receipt requested, will be deemed given on the date faxed or mailed. Each party may change the address to which notices are to be sent by giving notice of such change in conformity with the provisions of this Section.

17. Severability. In the event that any one or more of the provisions of this Agreement will be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of the Agreement will not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Agreement will be held to be excessively broad as to duration, activity or subject, such provisions will be construed by limiting and reducing them so as to be enforceable to the maximum extent allowed by applicable law.

18. Survivorship. The respective rights and obligations of the parties hereunder will survive any termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Each Party the Drafter. This Agreement and the provisions contained in it will not be construed or interpreted for or against any party to this Agreement because that party drafted or caused that party's legal representative to draft any of its provisions.

20. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Nevada, without regard to its conflicts of laws principles.

21. Headings. All descriptive headings of sections and paragraphs in this Agreement are intended solely for convenience, and no provision of this Agreement is to be construed by reference to the heading of any section or paragraph.

22. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

LIVEDEAL, INC., a Nevada corporation

EXECUTIVE

/s/ Greg LeClaire

/s/ Jon Isaac

By: Greg LeClaire

Jon Isaac

Its: Member of Compensation Committee

Dated: April 30, 2013

Dated: April 30, 2013

Exhibit 31

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jon Isaac, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LiveDeal, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 14, 2013

/s/ Jon Isaac
Jon Isaac
President and Chief Executive Officer
(Principal Executive Officer and
Principal Financial Officer)

**CERTIFICATION OF THE
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jon Isaac, the President and Chief Executive Officer of LiveDeal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of LiveDeal, Inc. on Form 10-Q for the quarter ended March 31, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of LiveDeal, Inc.

Date: May 14, 2013

/s/ Jon Isaac

Jon Isaac
President and Chief Executive Officer
(Principal Executive Officer and
Principal Financial Officer)