

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

FORM 10-K

(Mark one)

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

For the fiscal year ended September 30, 2014

TRANSITION REPORT UNDER 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.)

325 E Warm Springs Road, Suite 102, Las Vegas, Nevada

(Address of principal executive offices)

89119

(Zip Code)

Registrant's telephone number, including area code: **(702) 939-0231**

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 Par Value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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 aggregate market value of the registrant's common stock held by non-affiliates computed based on the closing sales price of such stock on March 31, 2014 was \$64,542,541.

The number of shares outstanding of the registrant's common stock, as of December 19, 2014, was 14,552,748 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III in this Annual Report on Form 10-K will be incorporated by reference to our definitive proxy statement for our 2015 Annual Meeting to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

LIVEDEAL, INC.

FORM 10-K

For the year ended September 30, 2014

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Forward-Looking Statements

This Annual Report on Form 10-K may include certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in other reports filed with the Securities and Exchange Commission, (“the SEC”), in materials delivered to our stockholders, in press releases, or in oral or written statements made by our management. These forward-looking statements, which are often characterized by the terms “may,” “believes,” “projects,” “expects,” “plans”, or “anticipates,” do not reflect historical facts but instead are based on our current assumptions and predictions regarding future events, such as business and financial performance. Specific forward-looking statements contained in this Annual Report include, but are not limited to, our (i) belief in the continued growth of internet usage, particularly via mobile devices, and demand for web-based marketing; (ii) belief in the continued growth in the demand for local search and information, (iii) belief that small and medium businesses will continue to outsource their online marketing efforts to third parties; (iv) belief that we can cost-effectively expand into other cities due to the scalability of the LiveDeal.com platform; (v) belief that the cash on hand and additional cash generated from operations together with potential sources of cash through issuance of debt or equity will provide the company with sufficient liquidity for the next 12 months; and (vi) belief that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow or liquidity.

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. Some factors and risks that could so affect our results and achievements include the risk factors set forth below under the heading Item 1A. “Risk Factors.” Readers should carefully review such risk factors as they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. Those risk factors are not exclusive and are in addition to other factors and risks (i) that are discussed elsewhere in this Annual Report, in our filings with the SEC, and in materials incorporated therein by reference, (ii) that apply to companies generally, or (iii) that we are currently unable to identify or quantify or that we currently deem immaterial. In addition, the foregoing factors and risks may affect generally our business, results of operations and financial position.

Forward-looking statements speak only as of the date the statement was 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 Annual Report are not a part of this Annual Report.

PART I

ITEM 1. Business

Our Company

LiveDeal, Inc., which, together with its subsidiaries, we refer to as the “Company”, “LiveDeal”, “we”, “us” or “our”, provides specialized online marketing solutions to small-to-medium sized local businesses, or SMBs, that boost customer awareness and merchant visibility. 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 LiveDeal.com, mobile applications for iOS and Android users and our online publishing partners.

Our principal offices are located at 325 E Warm Spring Road, Suite 102, Las Vegas, Nevada 89119, our telephone number is (702) 939-0231, and 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 specialized online marketing solutions that boost customer awareness and merchant visibility on the internet and through mobile applications. This fiscal year, we identified two operating segments based on our major lines of business, which we refer to as our “Legacy/Merchants’ Services” segment and our “Online Marketplace Platform” segment. In addition, we incorporated Live Goods, LLC (“Live Goods”), as our wholly-owned subsidiary, which we have used to acquire companies under our online marketplace platform segment.

Products and Services

Online Marketplace Platform Segment

Live Deal.com

The years ended 2013 and 2014 marked a swift transition for us. We not only launched LiveDeal.com, which marked the redefinition of our strategy and direction toward an online platform, but we also acquired DealTicker™ and Modern Everyday, Inc., and all the assets of furniture retailer, DA Stores, LLC, which expanded our footprint of our online marketplace to offer consumer goods in addition to our restaurant services. By leveraging the consumer base, intellectual property and relationships that these target companies solidified for their online businesses, we expect LiveDeal.com to become a vertically integrated one-stop shop for all the needs of the every day consumer.

In September 2013, we launched LiveDeal.com. LiveDeal.com is a unique, real-time “deal engine” connecting merchants with consumers. Currently, we provide marketing solutions to a growing base of restaurants to boost customer awareness and merchant visibility on the Internet. We believe that we have developed the first-of-its-kind web/mobile platform providing restaurants with full control and flexibility to instantly publish customized offers whenever they wish to attract customers. Restaurants can sign up to use the LiveDeal platform at our website.

Highlights of LiveDeal.com include:

- an intuitive interface enabling restaurants to create limited-time offers and publish them immediately, or on a preset schedule that is fully customizable;
- state-of-the-art scheduling technology giving restaurants the freedom to choose the days, times and duration of the offers, enabling them to create offers that entice consumers to visit their establishment during their slower periods;
- advanced publishing options allowing restaurants to manage traffic by limiting the number of available vouchers to consumers;
- superior geo-location technology allowing multi-location restaurants to segment offers by location, attracting customers to slower locations while eliminating potential over-crowding at busier sites;
- innovating proprietary restaurant indexing methodology; and
- a user-friendly mobile and desktop web interface allowing consumers to easily browse, download, and instantly redeem “live” offers found on LiveDeal.com based on their location.

In 2014, the Livedeal.com iOS mobile app was approved by Apple for inclusion in Apple’s App Store, and the Android App became available to the public in the Google Play Store.

We believe one of the primary challenges facing the dining industry is the inefficient and limited number of ways restaurants are able to market offers and promotions to their potential customers. Daily deal companies typically dictate offer terms, such as the discount amount and redemption details. This not only erodes potential profits for restaurant owners but could also drive traffic during already-busy periods for the restaurants. LiveDeal’s model benefits both the restaurant and the consumer because it provides the restaurant the opportunity to create any offer they choose, limit the number of potential claimants of their promotion, publish the offer on days and at times of their choosing, and provides customers with relevant offers they can easily and quickly redeem while creating a cost-effective model for LiveDeal to grow and easily scale its operations. We expect to initially derive revenues through premium placement on the site, and we are also exploring various options for monetizing the website.

The Company, best known for migrating print yellow pages to the Internet in 1994, began to develop the model for LiveDeal.com after having worked closely with well-known publishers in the daily deal market. In mid-2013, we tested the beta platform in a number of cities, and the model has been well received by restaurants, consumers, and various restaurant associations. We launched LiveDeal.com in the San Diego and Los Angeles, California markets in September 2013 and December 2013, respectively. This year we launched a massive advertising campaign directed at over 50 cities to support the restaurant owners who have created more than 10,000 deals in over 8,000 restaurants in those cities. The Company believes it can cost-effectively expand into other cities due to the scalability of the LiveDeal.com platform, as restaurants can curate deals through our account managers or create specials on their own. In addition, individual customers transact directly with the restaurant, eliminating the need for the Company to act as an intermediary in the sale.

In order to leverage our consumer base, during fiscal 2014 we acquired three business that offer consumer products. We plan to incorporate the sale of consumer products into our livedeal.com website to make it a vertically integrated one-stop shop for all the needs of the everyday consumer. Below is a brief description of the businesses purchased in fiscal 2014:

Modern Everyday, Inc.,

Modern Everyday, Inc. (“MEI”), acquired in August 2014, has both a retail location and a web presence providing consumers with products that range from kitchen and dining products, apparel and sporting goods to children's toys and beauty products. Modern Everyday also has proprietary software that will give us the capability to track products and predict consumer behavior and spending habits.

LiveDeal acquired 100% of the issued and outstanding shares of common stock of MEI from its sole stockholder, Byron Hsu. The purchase price consisted of (i) 50,000 shares of LiveDeal restricted common stock; (ii) \$1,100,000 of cash paid to Mr. Hsu; and (iii) a \$600,000 promissory note that bears no interest, with \$200,000 due February 28, 2015, with the balance due on February 28, 2016, and is secured by a second-position security interest in the inventory, accounts receivable, and cash and deposit accounts of MEI.

In connection with the Agreement, the Company and Mr. Hsu also entered into an employment agreement pursuant to which Mr. Hsu is employed to serve as President, Chief Executive Officer and Chief Technical Officer of MEI. The initial term of the employment agreement is for eighteen months, and Mr. Hsu's base annual salary will be \$160,000.

DA Stores Asset Acquisition

On March 7, 2014, Live Goods acquired substantially all of the assets of DA Stores, LLC, a furniture retailer. The acquisition of the assets is intended to assist in the implementation of our consumer goods online platform. We acquired inventory and equipment, furniture, software, hardware, and domain names in exchange for \$200,000.

DealTicker™

On May 6, 2014, Live Goods acquired all of the issued and outstanding shares in the capital of DealTicker Inc., a Canadian corporation ("DealTicker") from its shareholders. DealTicker is an online platform company in the retail industry offering discounted products and services in the US and Canada. This acquisition increased our ability to sell consumer goods online. Upon the closing of the transaction, the shareholders sold all of their shares of DealTicker to Live Goods for CAN\$246,000 (US\$228,000). For strategic reasons, we have subsequently closed the operations of DealTicker.

Legacy/Merchants' Services Segment

We developed and market a suite of products and services designed to meet the online marketing needs of SMBs at affordable prices. 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. 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. Our target customers for our Velocity Local™ and our LiveDeal® brands are SMB owners who work long hours to deliver real value to their customers in their own communities that do not have the time or expertise to develop the powerful, multi-faceted, online marketing and advertising programs necessary for successful online marketing. Our offerings draw on a decade of experience servicing SMBs in the internet technology environment.

We continue to generate a significant portion 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.

Velocity Local™ Online Presence Marketing.

We offer our SMB customers packages of services to create and maintain an online presence. Products and services we offer include template and custom website design, either optimized for desktop or mobile devices, social media marketing, or SMM, and content marketing, or CM. In combination, these products offer a comprehensive online marketing strategy for SMBs at affordable rates. We believe that our online presence marketing products are useful to a large share of SMBs because they enable potential customers to gain awareness of and locate an SMB and to learn about and purchase its products and services.

- **Mobile Web Apps.** We believe that SMBs which take advantage of emerging mobile internet capabilities, will have greater success in acquiring customers, and that SMB owners are recognizing that mastering marketing to mobile internet users is essential for success in today's technological environment. Accordingly we offer our customers websites targeted to work with the most popular mobile devices, such as iPhones and Android-powered smartphones, that take on the look and feel of a mobile app, without the inconvenience and delay associated with finding, downloading and installing a mobile app.

We can base these "mobile web apps" on our proprietary templates at affordable prices, or design customized mobile web apps for customers with larger budgets. Our website design professionals can incorporate text and graphics they create to our customer's specifications, or utilize text and graphics provided by our customer (such as from its traditional website or its other marketing materials). We endeavor to make these mobile web apps clean, trendy and easily usable on the smaller display area available on smart phones. Our mobile web apps can integrate key features such as click-to-call, Google Maps (providing directions and street view), service or product offerings (such as menus), and live Twitter feeds. We continue to develop and refine our templates to add common options, to serve the special needs of specific industries, and to respond to customer demand and market changes.

- **Traditional Website Design.** We also offer custom website design services for websites targeted at traditional desktop and laptop internet users. Our website design team is composed of experienced web design and creation professionals and graphic designers who create customized websites tailored to the needs and goals of our customers. Our design team can assist with layout as well as content creation (text and images).

- **Content Marketing (CM).** Simply having a website, even one optimized for viewing on mobile devices, does not mean potential customers will actually know about or visit the website. We provide content marketing services, including blog postings (relevant to our customer specifically or to its industry generally) and commenting, updating our client's websites, blog commenting, social bookmarking, social media directory listing, and profile submission to the major search engines.
- **Social Media Marketing (SMM).** We enable our customers to create an online presence which builds their customer base and enables them to keep in touch with their customers, supporters, and other businesses using popular social networks such as Facebook, Twitter, and Google+. We employ dedicated research groups to find relevant information about our clients and writes posts, tweets, and comments which can be posted on relevant social networks to increase visibility to and interaction with their followers and potential customers. These activities can also serve to improve our customer's search engine rankings.

Promotional Marketing

We also source local special deals and activities for SMBs. With the growth of special deal promotions, many SMBs are experimenting with special offers to drive new customers to their locations. We offer our clients a solution that utilizes our business channels to market our clients' products and services to potential customers. To use this service, an SMB will generally offer a discount for select products or services, or create a specially priced bundle. Our salespeople assist and guide the SMBs to create enticing and marketable deals. We then find an appropriate channel to publish the deal to relevant potential customers.

Potential customers can gain awareness of our clients' businesses through these deal publications, and transact business with our SMB clients by purchasing a deal. Our SMB clients benefit from their increased visibility, additional business and the opportunity to gain loyal customers.

Prior to our launch of LiveDeal.com, our business strategy includes partnering established strategic publishing partners to publish and sell our client's deals in exchange for a share of the revenue. We have entered into sourcing agreements with several reputable publishers who have large user bases, including Travelzoo, Google Local, and Amazon, and act as an intermediary to connect SMBs to our publishing partners. Our business thus relies in part on the ability of our partners to display our clients' deals to a large, relevant audience and to sell the offers. With the launch of LiveDeal.com, we intend to focus our promotional marketing efforts and offer a substantial portion of those products and services through our own proprietary platform.

InstantProfile® (Legacy)

We continue to service customers acquired under our legacy product offerings, primarily our InstantProfile® line of products and services. These services primarily consist of directory listing services.

Marketing

General. We rely on telemarketing and online lead generation to drive customer acquisition. We have created our own telemarketing sales team which works with highly automated technology and specializes in creating, deploying and managing telemarketing campaigns quickly and efficiently. We believe that our telemarketing structure enables us to build and scale sales programs quickly.

We have long-standing relationships with data and lead providers, which enable us to source high quality leads and to focus our telemarketing efforts toward the demographics we believe most likely to result in long-term customers. We primarily market our products and services to SMBs in lists we acquire from third party data companies.

Velocity Local™ Online Presence Marketing. Our current strategy is to market our online presence marketing services to small office, home office and local businesses across the country. Our target customers include retail SMBs, such as restaurants, home repair and services companies, as well as professional firms providing legal, accounting and medical services, which share the common challenges of managing and optimizing their online presence to acquire and retain customers.

LiveDeal.com National Advertising Campaign. In 2014, we launched a 35 city advertising campaign to support the restaurant owners who have created more than 10,000 deals in over 8,000 restaurants in those 35 cities. The campaign, which includes TV, Radio and web-based ad delivery, is designed to expand awareness, increase user registrations and drive traffic into the restaurant locations that are utilizing the LiveDeal real-time "deal engine".

Our Market

More than 27 million SMBs operate in the United States today. While a majority of SMBs have a website, most of them are not optimized for mobile devices and therefore do not effectively generate business for the SMB. SMB owners frequently lack the time, expertise or resources necessary to make their website a relevant, effective part of their marketing efforts, or to exploit the additional internet marketing channels needed for successful online marketing. Our target customers are SMBs which normally do not market their products and services nationally, but wish to utilize local marketing opportunities, including local search, to promote their products and services.

Effective online marketing requires the dedication of time, the marshaling of resources, and the development of technological, language, presentation and other skills and expertise that few SMB owners have, or have the intention or realistic ability to acquire. We recognize that, to succeed, many SMB owners must remain intensely focused on the fundamentals of their business.

At the same time, we believe that many SMB owners realize that an effective internet presence – including engaging with online and social tools – is essential to their marketing efforts, and SMBs are shifting their marketing budgets from traditional media to online channels. According to BIA/Kelsey forecasts, traditional media business segments such as print advertising, Yellow Pages and newspapers are experiencing large declines in advertising revenues, whereas social media advertising revenues will grow from \$5.1 billion in 2010 to \$8.2 billion in 2015, representing a compound annual growth rate of 10%. According to internet research firm ComScore, online ad spending increased to just over \$30 billion in the U.S. in 2011, a 20.2% increase over 2010.

According to PricewaterhouseCoopers and the Interactive Advertising Bureau, or PWC and IAB, local online/digital advertising revenues in the United States rose 14% in the first half of 2012 and continued to rise steeply through the end of 2012. Searches for products, services or businesses constrained by geographical search parameters, such as municipality or zip code, which we refer to as local searches, are an increasingly significant segment of the online marketing industry. According to a May 2011 study, The Kelsey Group estimates that the local search market in the United States will grow from \$5.7 billion in 2011 to \$10.2 billion in 2016. PWC and IAB also report that revenue from search is 47% of the total internet advertising revenue.

Accordingly, many SMBs need a partner with the necessary expertise and understanding to manage evolving internet audience acquisition services. We believe that this creates a large market opportunity for nimble, reliable and reputable service providers that help companies leverage these new channels efficiently and at affordable prices.

The continued rise in smart phones, which now outsell traditional mobile phones, has changed the ground rules for online marketing, with the consumption of online advertising rapidly moving to mobile devices. As of mid-2012, eMarketer anticipated that overall spending on mobile advertising in the United States, including display, search and messaging-based ads served to mobile phones and tablets, would rise to \$4 billion in 2012 (a 180% increase over 2011), \$7.19 billion in 2013, and nearly \$21 billion by 2016. Borrell Associates' August 2011 Mobile Report projected that the amount spent on mobile advertising will double every year for the next five years. If borne out, in 2016, mobile advertising would exceed the amount spent on local search advertising in 2011.

We see SMBs quickly adapting to the local and mobile marketing opportunities because of the great potential to retain existing and draw in new customers at affordable prices. We anticipate that soon most online searches will be conducted using a mobile phone, which greatly increases the effectiveness of mobile marketing.

Competition

Promotional Marketing. Our promotional marketing business (including our new LiveDeal.com platform) competes for local deals with several large competitors, such as Groupon and LivingSocial, and many smaller competitors. This business is part of a new market which has operated at a substantial scale for only a limited period of time. We expect competition in this market to continue to increase because no significant barriers to entry exist. Contracts with deal publishers typically contain exclusivity provisions which restrict SMBs from offering deals through other outlets.

We seek desirable local products and services which we can provide to our publishing partners. We believe that we are in a position to compete in this market successfully due to the unique features of our LiveDeal.com platform (as described above), our experienced sales managers, our experience at sourcing, selling and servicing large numbers of small business accounts, the comprehensiveness of our database, the effectiveness of our marketing programs, and the diversity of our publisher distribution network. Our distribution partnerships allow our clients to reach large audiences and promote their products and services in innovative ways.

Velocity Local™ Online Presence. Our online presence business operates in the highly competitive, rapidly expanding and evolving market for internet marketing for SMBs. Our largest competitors are local exchange carriers, which are widely known as regional telephone operators, and national search engines such as Yahoo! and Google, that are actively expanding their presence in the local search market. We compete with website designers and operators, Yellow Pages services, advertising networks and outlets, and search engine optimization, CM and SMM service providers, as well as traditional offline media, such as traditional Yellow Pages directory publishers and television, radio, and print share advertising. Our services also compete with website production businesses and internet information service providers. Our audience acquisition services compete with advertising agencies and other businesses providing somewhat similar services.

The principal competitive factors in this market include personalization of service, ease of use, quality of services, availability of quality content, value-added products and services, access to consumers, effectiveness at driving business to our clients, and price.

Many boutique firms offer services similar to our online presence marketing products. Generally these small firms cannot provide all the comprehensive services we do. However, these small firms provide many options for web design, social media marketing, internet marketing, and search engine optimization.

Because of efficiencies stemming from our proprietary software and business structure, we are generally able to provide these services at a lower recurring cost and with lower upfront charges to commence a complete marketing campaign and build a client's mobile-optimized website.

We also compete against larger companies which offer a similar or more expanded set of products. Our principal competitive advantages over these companies are our lower prices and the better quality and service of our website design, particularly our web app platform. We believe our combination of outstanding service and low cost will enable us to provide a suite of attractive packages to our clients.

General. Many of our competitors have access to greater capital resources than we do. These resources could enable our competitors to engage in advertising and other promotional activities that will enhance their brand name recognition and market share. We believe, however, that our products provide a simple and affordable way for our clients to create a web presence to market their products and services to local audiences. We further believe that we can compete effectively by continuing to provide quality services at competitive prices and by actively developing new products and services for potential clients that enable us to become a single vendor for the online marketing needs of SMBs.

Intellectual Property

Our success will depend significantly on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing upon the intellectual property rights of third parties. We currently rely primarily on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions, and similar measures to protect our intellectual property.

We estimate that reliance upon trade secrets and unpatented proprietary know-how will continue to be our principal method of protecting our trade secrets and other proprietary technologies. While we have hired third-party contractors to help develop our proprietary software and to provide various fulfillment services, we generally own (or have permissive licenses for) the intellectual property provided by these contractors. Our proprietary software is not substantially dependent on any third-party software, although our software does utilize open source code. Notwithstanding the use of this open source code, we do not believe our usage requires public disclosure of our own source code nor do we believe the use of open source code will have a material impact on our business.

We register some of our product names, slogans and logos in the United States. In addition, we generally require our employees, contractors and many of those with whom we have business relationships to sign non-disclosure and confidentiality agreements. Neither intellectual property laws, contractual arrangements, nor any of the other steps we have taken to protect our intellectual property, can ensure that third parties will not exploit our technologies or develop similar technologies.

Our proprietary publishing system provides an advanced set of integrated tools for design, service, and modifications to support our mobile web app services. Our mobile web app builder software enables easy and efficient design, end user modification and administration, and includes a variety of other tools accessible by our team members.

Employees

As of December 23, 2014, we had 91 full-time employees, one part-time employee, and 20 temporary employees in the United States, none of whom is covered by a collective bargaining agreement.

Corporate History

We were originally incorporated in Nevada in 1996 as Renaissance Center, Inc. We started in the online marketing industry with YP.com, which had introduced the print yellow pages to the internet. We moved into the online classifieds business when we acquired LiveDeal, Inc., a California corporation, in June 2007, and changed our corporate name to LiveDeal, Inc. in August 2007.

On July 10, 2007, we acquired a Manila, Philippines-based call center to provide telemarketing services to support our directory services business. In February 2008, we commenced sales of higher-end direct sales products which focused on search engine marketing, website creation services and add-on advertising products. We sold the YP.com domain in March 2009, and in June 2009 discontinued our classifieds business and the operations at our Philippines-based call center.

In March 2010, we began mass market sales of a suite of internet-based, local search driven, customer acquisition services for small businesses using local exchange carrier, or LEC, billing channels, and curtailed sales of our higher-end direct sales products. In July 2010, we rebranded our traditional yellow page directory service as InstantProfile[®] and upgraded our services to provide online subscription tools and services to broadcast information about a business to the most popular internet directories, search engines, social media networks, and Points-of-Interest (POI) databases embedded on the leading navigational devices, as well as a communication suite that enabled both conference call hosting and electronic fax services. On December 1, 2010, we ceased all new sales of our higher-end direct sales products, and in May 2011 we assigned all remaining customers in that business segment to ReachLocal, Inc. On July 15, 2011, we discontinued all new sales of our InstantProfile[®] product while we evaluated our sales program, products, distribution methods and vendor programs, but we continue to service existing customers.

In August 2012 we acquired substantially all of the assets of LiveOpenly, Inc., which sourced, published and sold discounted goods and services offered by SMBs.

In addition to our renewed marketing efforts for LiveDeal.com and our other online presence and promotional marketing product lines described above, in the past fiscal year we have acquired two companies in the retail and consumer goods industry, and we have continued our efforts to reduce our and streamline our operations. We also intend to seek additional investment and working capital that will enable us to continue to expand and improve our product offerings and grow our revenues.

Recent Developments

ITEM 1A. Risk Factors

An investment in our common stock involves a substantial degree of risk. Before making an investment decision, you should give careful consideration to the following risk factors in addition to the other risks and information described in this report. The following risk factors, however, may not reflect all of the risks associated with our business or an investment in our common stock. The trading price of our common stock could decline significantly due to any of these risks and investors may lose all or part of their investments. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Annual Report on Form 10-K, including our consolidated financial statements for the fiscal year that ended on September 30, 2014 and related notes.

Risks Related to Our Business

Our management, personnel, strategic partners, and products and services are relatively new.

Our management team, many of our business and strategic partners, and a large majority of our personnel are relatively new to our company. On July 15, 2011, we discontinued all sales of our prior principal product line, InstantProfile, while we commenced an evaluation of our sales program, products, distribution methods and vendor programs. In December 2011, we sold a controlling interest in our company to an unaffiliated group of new investors. In January 2012, our board appointed Jon Isaac, as President and CEO. Since that time, the Company has hired a new management team, implemented a new company strategy, designed new products and services around that strategy, hired new personnel and formed new business relationships to implement that strategy.

The products and services we are currently offering, as well as our current marketing practices, are new and are still being developed and tested for market acceptance. Our management team is in the process of actively evaluating and improving our marketing efforts and our product and service offerings, as well as contracting with new partners and hiring and training personnel for management, sales and fulfillment. Any new product offering is subject to certain risks, including customer acceptance, competition, product differentiation, challenges relating to economies of scale and the ability to attract and retain qualified personnel, including management and designers. Many of our contracts with third party vendors, including our strategic partnerships, permit our partners to terminate the contract, with short or no prior notice, for convenience, as well as in the event we default under the terms of the contract for failing to meet our contractual obligations.

The development of new products involves considerable costs and any new product may not generate sufficient consumer interest and sales to become a profitable brand or to cover the costs of its development and subsequent promotions. There can be no assurance that we will be able to develop and grow our current offerings, or any other new offerings, to a point where they will become profitable, or generate positive cash flow. We may modify or terminate our current product and services offerings if our management determines that they are not yielding or will not yield desired results.

Our product introductions and improvements, along with our other marketplace initiatives, are designed to capitalize on customer demands and trends. In order to be successful, we must anticipate and react to changes in these demands and trends, and to modify existing products or develop new products or processes to address them.

Uncertainty in the market for our products and services.

Our current product and service offerings are new, and the demand and market acceptance for these products and services is uncertain. Potential customers may not subscribe to our current offerings or other online marketing products and services that we may offer in the future. Customers may not continue to use our products and services or other online marketing products and services that we may offer in the future if they find these products and services to be too costly, ineffective or less effective for meeting their business needs than other methods of advertising and marketing. Our business, prospects, financial condition or results of operations will be materially and adversely affected if we do not execute our strategy or our products and services are not adopted by a sufficient number of customers.

We will incur operating losses while we develop our new business offerings.

During the fiscal year ended September 30, 2014, we incurred operating losses as we continued to transition our business toward our new strategic focus. We will continue to incur operating losses as we develop new business products which will be financed through existing cash on hand plus potential additional debt or equity financings. While we believe our existing cash on hand, together with additional cash generated from operations or obtained from other sources, such as stock issuances, loans or other forms of financing, is sufficient to finance our operations (including working capital and needed capital expenditures) for the next twelve months, there can be no assurance that we will achieve profitability or positive operating cash flows.

To the extent that we cannot achieve profitability or positive operating cash flows, our business will be adversely affected. Further, our new business lines are likely to experience significant volatility in their respective revenues, operating results, personnel, products or services for sale, and other business parameters, as management implements its strategies and responds to operating results.

We have historically incurred losses and expect to incur losses in the future, which may impact our ability to implement our business strategies and adversely affect our financial condition.

We have a history of losses. We had a net loss of \$4.7 million for the fiscal year ended September 30, 2014, and \$5.7 million for the fiscal year ended September 30, 2013. While we have significantly reduced our operating expenses by reviewing all expenses and improving operating efficiencies, we may not be able to reduce or maintain our expenses in response to any decrease in our revenues, which may impact our ability to implement our new business strategies and would adversely affect our financial condition.

Our senior management lacks substantial experience implementing our business strategy and most of our personnel has been recently hired.

Our senior management's track record and achievements in their respective prior endeavors are not necessarily indicative of future results that will be achieved by them on our behalf. Our senior management's skills, experience and expertise may not be as well suited to our current objectives, strategies and requirements as they were in their respective prior businesses. In particular, our most senior management is relatively inexperienced in marketing services to SMBs and in providing online marketing services, and our products and services, marketing strategy, operating environment and regulatory limitations differ markedly from the other businesses which our senior management has managed and operated. In addition, the great majority of our personnel, including our management, has been hired relatively recently, and there can be no assurance that they will be able to work together effectively or provide the necessary level of services to succeed in implementing our current business strategies.

We face intense competition from companies with greater resources, which could adversely affect our growth and could lead to decreased revenues.

Content marketing and other online marketing services are emerging fields with a considerable amount of competitors in each field. Major internet companies, including Google, Microsoft, Verizon, AT&T and Yahoo!, currently market internet Yellow Pages, local search services and other products that directly compete with our legacy business as well as our new product offerings and major deal companies, like Groupon and Living Social, currently market daily deals that directly compete with our promotional marketing business. Other existing and potential competitors include website design and development service and software companies; internet service providers and application service providers; internet search engine providers; domain registrars; website hosting providers; local business directory providers; and ecommerce platform and service providers.

We may not compete effectively with existing and potential competitors for several reasons, including the following:

- some competitors have longer operating histories, larger and more established subscriber bases, and greater financial and other resources than we have and are in better financial condition than we are, enabling them to engage in more extensive research and development, more aggressive pricing policies, and more advertising and other promotional activities that will enhance their brand name recognition and increase their market share;
- some competitors may release free tools, including open source tools, which perform some or many of the services we offer to our customers;
- some competitors have better name recognition or reputations, as well as larger, more established, and more extensive marketing, customer service, and customer support capabilities than we have;

- some competitors may be able to better adapt to changing market conditions and customer demand; and
- barriers to entry are not significant, and new competitors may enter our markets or develop technologies that reduces the need for our services.

Increased competitive pressure could lead to reduced market share, as well as lower prices and reduced margins, for our services.

As a result of an anticipated increase in competition in our markets, and the likelihood that some of this competition will come from companies with more established brands and resources than us, we believe brand name recognition and reputation will become increasingly important. If we are not successful in quickly building brand awareness, we could be placed at a competitive disadvantage to companies whose brands are more recognizable than ours.

Our business is subject to an uncertain and developing regulatory environment.

While relatively few laws and regulations apply specifically to internet businesses, the application of other laws and regulations to internet businesses, including ours, is unclear in many instances. There remains significant legal uncertainty in a variety of areas, including intellectual property, user privacy, the positioning of sponsored listings on search results pages, defamation, taxation, product liability, and the regulation of content in various jurisdictions.

Compliance with federal laws relating to the internet and internet businesses may impose upon us significant costs and risks, or may subject us to liability if we do not successfully comply with their requirements, whether intentionally or unintentionally. Specific federal laws that impact our business include The Digital Millennium Copyright Act of 1998, The Communications Decency Act of 1996, The Children's Online Privacy Protection Act of 1998 (including related Federal Trade Commission regulations), The Protect Our Children Act of 2008, and The Electronic Communications Privacy Act of 1986, among others. For example, the Digital Millennium Copyright Act, which is in part intended to reduce the liability of online service providers for listing or linking to third-party websites that include materials that infringe the rights of others, was adopted by Congress in 1998. If we violate the Digital Millennium Copyright Act we could be exposed to costly and time-consuming copyright litigation.

Our utilization of ACH billing exposes us to review by the National Automated Clearing House Association. Future actions from these and other regulatory agencies could expose us to substantial liability in the future, including fines and criminal penalties, preclusion from offering certain products or services, and the prevention or limitation of certain marketing practices.

Existing laws and regulations and any future regulation may have a material adverse effect on our business. For example, we believe that our direct marketing programs meet existing requirements of the Federal Trade Commission, or FTC. Any changes to FTC requirements or changes in our direct or other marketing practices, however, could result in our marketing practices failing to comply with FTC regulations, or could require us to change our marketing strategies or practices, which could adversely impact our ability to acquire new clients.

The application of certain laws and regulations to our promotional marketing business, as a new product category, is uncertain. These include federal and state laws governing considered gift cards, gift certificates, stored value cards or prepaid cards, such as the federal Credit Card Accountability Responsibility and Disclosure Act of 2009, or the CARD Act, and unclaimed and abandoned property laws. Numerous class action lawsuits that have been filed in federal and state court claiming that vouchers used in promotional marketing are subject to the CARD Act and various state laws governing gift cards and that the defendants have violated these laws by issuing vouchers with expiration dates and other restrictions. If we are required to alter our promotional marketing business practices as a result of any laws and regulations, our revenue could decrease, our costs could increase and our business could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to such additional laws and regulations and any payments of related penalties, judgments or settlements could adversely impact our financial condition and results of operations.

Our success depends upon our ability to establish and maintain relationships with our customers.

Our ability to generate revenue depends upon our ability to maintain relationships with our existing customers, to attract new customers to sign up for revenue-generating products and services, and to generate traffic to our customers' websites. We primarily use telemarketing efforts to attract new customers. These telemarketing efforts may not produce satisfactory results in the future. We attempt to maintain relationships with our customers through customer service and delivery of traffic to their businesses. An inability to either attract additional customers to use our service or to maintain relationships with our customers could have a material adverse effect on our business, prospects, financial condition, and results of operations.

If we do not introduce new or enhanced offerings to our customers, we may be unable to attract and retain those customers, which would significantly impede our ability to generate revenue.

We may need to introduce new or enhanced products and services in order to attract and retain customers and to remain competitive. Our industries have been characterized by rapid technological change, changes in advertiser and user requirements and preferences, and frequent new product and service introductions embodying new technologies and business logic. These changes could render our technology, systems, and services obsolete or uncompetitive. We may experience difficulties that could delay or prevent us from introducing new or enhanced products and services. If we do not periodically enhance our existing products and services, develop new technologies that address our customers' and users' needs and preferences, or respond to emerging technological advances and industry standards and practices on a timely and cost-effective basis, our products and services may not be attractive to customers or their users, which would significantly impede our revenue growth. In addition, our reputation and our brand could be damaged if any new or enhanced product or service introduction is not favorably received.

Our results of operations could fluctuate due to factors outside of our control.

Our operating results have historically fluctuated significantly, and we could continue to experience fluctuations or revert to declining operating results due to factors that may or may not be within our control. Such factors include the following:

- fluctuating demand for our services, which may depend on a number of factors including:
 - changes in economic conditions and our customers' profitability,
 - changes in technologies favored by consumers,
 - customer refunds or cancellations, and
 - our ability to continue to bill through existing means;
- market acceptance of new or enhanced versions of our services or products;
- price competition or pricing changes by us or our competitors;
- new product offerings or other actions by our competitors;
- the ability of our check processing service providers to continue to process and provide billing information;
- the amount and timing of expenditures for expansion of our operations, including the hiring of new employees, capital expenditures, and related costs;
- technical difficulties or failures affecting our systems or the internet in general;
- a decline in internet traffic at our website; and
- the fixed nature of a significant amount of our operating expenses.

We are subject to a number of risks related to credit card payments.

We bill a large portion of our clients using credit and debit cards. For credit and debit card payments, we pay interchange and other fees, which may increase over time and raise our operating expenses and adversely affect our net income. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. We believe we are compliant with the Payment Card Industry Data Security Standard, which incorporates Visa's Cardholder Information Security Program and MasterCard's Site Data Protection standard. However, there is no guarantee that we will maintain such compliance or that compliance will prevent illegal or improper use of our payment system. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our clients. A failure to adequately control fraudulent credit card transactions would result in significantly higher credit card-related costs and could have a material adverse effect on our business, financial condition or results of operations.

We depend upon our executive officers and key personnel.

Our performance depends substantially on the performance of our executive officers and other key personnel. The success of our business in the future will depend on our ability to attract, train, retain, and motivate high quality personnel, especially highly qualified sales, technical and managerial personnel. The loss of services of any executive officers or key personnel could have a material adverse effect on our business, results of operations or financial condition. We do not have term employment agreements with, or key man life insurance covering, any of our executive officers.

Competition for talented personnel is intense, and there is no assurance that we will be able to continue to attract, train, retain or motivate highly qualified technical and managerial personnel in the future. In addition, market conditions may require us to pay higher compensation to qualified management and technical personnel than we currently anticipate. Any inability to attract and retain qualified management and technical personnel in the future could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We depend upon third parties to provide certain services and software, and our business may suffer if the relationships upon which we depend fail to produce the expected benefits or are terminated.

We depend upon third-party software to operate certain of our services. The failure of this software to perform as expected could have a material adverse effect on our business. Additionally, although we believe that several alternative sources for this software are available, any failure to obtain and maintain the rights to use such software could have a material adverse effect on our business, prospects, financial condition, and results of operations. We also depend upon third parties who provide the cloud computing services which host our customers' websites, including the mobile web apps, to be sufficiently reliable and provide sufficient capacity and bandwidth so that our business can function properly and our customers' websites are responsive to current and anticipated traffic. Any restrictions or interruption in those providers' services or connection to the internet could have a material adverse effect on our business, prospects, financial condition, and results of operations. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the required computer servers and implementing the required technology ourselves. We may also be limited in our remedies against these providers in the event of a failure of service.

We expect that our anticipated future growth, including through potential acquisitions, may strain our management, administrative, operational and financial infrastructure, which could adversely affect our business.

We anticipate that significant expansion of our present operations will be required to compensate for the loss of clients related to the cessation of LEC billing and to capitalize on potential growth in market opportunities, and that this expansion will place a significant strain on our management, operational and financial resources. We expect to add a significant number of additional key personnel in the future, including key managerial, sales and technical employees who will have to be fully integrated into our operations. In order to manage our growth, we will be required to continue to implement and improve our operational, marketing and financial systems, to expand existing operations, to attract and retain superior management and personnel, and to train, manage and expand our employee base. We may not be able to expand our operations effectively, our systems, procedures and controls may be inadequate to support our expanded operations, and our management may fail to implement our business plan successfully.

We may not be able to secure additional capital to expand our operations.

Although we currently have no material long-term needs for capital expenditures, we will likely be required to make increased capital expenditures to fund our anticipated growth of operations, infrastructure, and personnel. In the future, we may need to seek additional capital through the issuance of debt or equity, depending upon our results of operations, market conditions or unforeseen needs or opportunities. Our future liquidity and capital requirements will depend on numerous factors, including:

- the pace of expansion of our operations;
- our need to respond to competitive pressures; and
- future acquisitions of complementary products, technologies or businesses.

The sale of additional equity or convertible debt securities could result in additional dilution to existing stockholders. We cannot provide assurance that any financing arrangements will be available in amounts or on terms acceptable to us, if at all.

We may not be able to adequately protect our intellectual property rights.

Our success depends both on our internally developed technology and licensed third party technology. We rely on a variety of trademarks, service marks, and designs to promote our brand names and identity. We also rely on a combination of contractual provisions, confidentiality procedures, and trademark, copyright, trade secrecy, unfair competition, and other intellectual property laws to protect the proprietary aspects of our products and services. Legal standards relating to the validity, enforceability, and scope of the protection of certain intellectual property rights in internet-related industries are uncertain and still evolving. The steps we take to protect our intellectual property rights may not be adequate to protect our intellectual property and may not prevent our competitors from gaining access to our intellectual property and proprietary information. In addition, we cannot provide assurance that courts will always uphold our intellectual property rights or enforce the contractual arrangements that we have entered into to obtain and protect our proprietary technology.

Third parties, including our partners, contractors or employees, may infringe or misappropriate our copyrights, trademarks, service marks, trade dress, and other proprietary rights. Any such infringement or misappropriation could have a material adverse effect on our business, prospects, financial condition, and results of operations. In addition, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights, which may result in the dilution of the brand identity of our services.

We may decide to initiate litigation in order to enforce our intellectual property rights or to determine the validity and scope of our proprietary rights. Any such litigation could result in substantial expense, and may not adequately protect our intellectual property rights. In addition, we may be exposed to future litigation by third parties based on claims that our products or services infringe or misappropriate their intellectual property rights. Any such claim or litigation against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, such claims or litigation could force us to do one or more of the following:

- cease selling or using any of our products and services that incorporate the subject intellectual property, which would adversely affect our revenue;
- attempt to obtain a license from the holder of the intellectual property right alleged to have been infringed or misappropriated, which license may not be available on reasonable terms; and
- attempt to redesign or, in the case of trademark claims, rename our products or services to avoid infringing or misappropriating the intellectual property rights of third parties, which may be costly and time-consuming.

Even if we were to prevail, such claims or litigation could be time-consuming and expensive to prosecute or defend, and could result in the diversion of our management's time and attention. These expenses and diversion of managerial resources could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We may be subject to intellectual property claims that create uncertainty about ownership or use of technology essential to our business and divert our managerial and other resources.

Our success depends, in part, on our ability to operate without infringing the intellectual property rights of others. Third parties may, in the future, claim our current or future services, products, trademarks, technologies, business methods or processes infringe their intellectual property rights, or challenge the validity of our intellectual property rights. We may be subject to patent infringement claims or other intellectual property infringement claims that would be costly to defend and could limit our ability to use certain critical technologies or business methods. We may also become subject to interference proceedings conducted in the patent and trademark offices of various countries to determine the priority of inventions.

The defense and prosecution, if necessary, of intellectual property suits, interference proceedings and related legal and administrative proceedings can become very costly and may divert our technical and management personnel from their normal responsibilities. We may not prevail in any of these suits or proceedings. An adverse determination of any litigation or defense proceedings could require us to pay substantial compensatory and exemplary damages, could restrain us from using critical technologies, business methods or processes, and could result in us losing, or not gaining, valuable intellectual property rights.

Furthermore, due to the voluminous amount of discovery frequently conducted in connection with intellectual property litigation, some of our confidential information could be disclosed to competitors during this type of litigation. In addition, public announcements of the results of hearings, motions or other interim proceedings or developments in the litigation could be perceived negatively by investors, and thus have an adverse effect on the trading price of our common stock.

We may be required to expand or upgrade our infrastructure.

Our ability to provide high-quality services largely depends upon the efficient and uninterrupted operation of our computer and communications systems. We (or our third party service providers) may be required to expand or upgrade our (or their) technology, infrastructure, fulfillment capabilities, or customer support capabilities in order to accommodate any significant growth in customers or to replace aging or faulty equipment or technologies. We (or they) may not be able to project accurately the rate or timing of increases, if any, in the use of our services or expand and upgrade our (or their) systems and infrastructure to accommodate these increases in a timely manner.

Any expansion of our (or our third party service providers') infrastructure may require us (or them) to make significant upfront expenditures for servers, routers, computer equipment, and additional internet and intranet equipment, as well as to increase bandwidth for internet connectivity. Any such expansion or enhancement may cause system disruptions.

Our (or our third party service providers') inability to expand or upgrade our technology, infrastructure, fulfillment capabilities, customer support capabilities or equipment as required or without disruptions could impair the reputation of our brand and our services and diminish the attractiveness of our service offerings to our clients.

We may have an adverse resolution of litigation that may harm our operating results or financial condition.

At times, we are a party to lawsuits. Litigation can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could require us to pay substantial damages or to comply with court orders that could have a material adverse effect on our business, operating results, or financial condition.

We may fail to retain existing merchants, or add new merchants, in our promotional marketing business.

Our promotional marketing business depends in part on our strategic partners to publish discounted products and services we source from our SMB clients. We depend on our ability to attract and retain SMBs that are prepared to offer products or services on compelling terms through our strategic partners. We are a recent entrant to this market and we do not have long-term arrangements to guarantee the availability of deals that offer attractive quality, value and variety to consumers or favorable payment terms to us. We must continue to attract and retain merchants in various geographical areas to our promotional marketing business in order to increase revenue and achieve profitability. If new merchants do not find our marketing and promotional services effective, or if existing merchants do not believe that utilizing our products provides them with a long-term increase in customers, revenues or profits, they may stop making offers through us. In addition, we may experience attrition in our merchants in the ordinary course of business resulting from several factors, including losses to competitors and merchant closures or bankruptcies. If we are unable to attract new merchants in numbers sufficient to grow our promotional marketing business, or if too many merchants are unwilling to offer products or services with compelling terms through our strategic partners, or to offer favorable payment terms to us, we may sell fewer daily deals and our operating results will be adversely affected.

Our promotional marketing business depends heavily on our strategic partners.

Our promotional marketing business is highly dependent upon our ability to sell discounted products and services offered by our SMB clients through our strategic partners. Unlike many of our established competitors, we currently lack a significant subscriber base for selling these offers to potential customers of these SMB clients. Instead, we rely on our strategic partners, some of whom have extremely large user bases, to publish these offers to reach these potential customers. We do not have long-term relationships with these strategic partners. Our agreements with these strategic partners generally permit our partners to terminate the agreement with short or no prior notice, for convenience, and/or do not require our partners to publish the offers we source from our SMB clients.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our service systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage will likely be insufficient to compensate us for losses that may occur. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential intellectual property or client data. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting the Las Vegas or San Diego area, and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems and the internet to conduct our business and provide high quality customer service, such disruptions could negatively impact our ability to operate our business, which could have a material and adverse effect on our operating results and financial condition.

We have made strategic acquisitions and divestitures in the past few years and may complete similar transactions in the future and cannot assure you that any future transactions will be successful.

As part of our business strategy, we have acquired a number of businesses and assets, including our recent acquisition of DA Stores, DealTicker and Modern Everyday, and we regularly look for opportunities to support our new business strategy through appropriate acquisitions, divestitures and strategic alliances. There can be no assurance that we will be successful in identifying appropriate transaction partners or integrating the acquired businesses into our operations in a way that ultimately supports our business strategy or revenues. Acquisitions may result in dilutive issuances of equity securities, use of our cash resources, incurrence of debt and amortization of expenses related to intangible assets acquired. In addition, the process of integrating an acquired company, business or technology, which requires a substantial commitment of resources and management's attention, may create unforeseen operating difficulties and expenditures. The acquisition of a company or business is accompanied by a number of risks, including:

- exposure to unanticipated liabilities of an acquired company (or acquired assets);
- difficulties integrating or developing acquired technology into our services or acquired products or services into our operations, and unanticipated expenses or disruptions related to such integration;
- the potential loss of key partners or key personnel in connection with, or as the result of, a transaction;
- the impairment of relationships with clients of the acquired business, or our own clients, partners or employees, as a result of any integration of operations or the expansion of our offerings;
- the recording of goodwill and intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges;
- the diversion of the attention of our management team from other business concerns, including the day-to-day management of our businesses or the internal growth strategies that we are currently implementing;

- the risk of entering into markets or producing products where we have limited or no experience, including the integration or removal of the acquired or disposed technologies and products with or from our existing technologies and products; and
- the inability properly to implement or remediate internal controls, procedures and policies appropriate for a public company at businesses that prior to our acquisition were not subject to federal securities laws and may have lacked appropriate controls, procedures and policies.

We may not be able to adapt as the internet, mobile technologies and customer demands continue to evolve.

The internet, e-commerce, the online marketing industry and mobile devices are characterized by:

- rapid technological change;
- changes in customer and user requirements and preferences;
- frequent new product and service introductions embodying new technologies and business logic; and
- the emergence of new industry standards and practices that could render our existing service offerings, technology, and hardware and software infrastructure obsolete.

In order to compete successfully in the future, we must:

- enhance our existing services and develop new services and technology that address the increasingly sophisticated and varied needs of our prospective or current customers;
- license, develop or acquire technologies useful in our business on a timely basis; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Our failure to respond in a timely manner to changing market conditions or client requirements could have a material adverse effect on our business, prospects, financial condition, and results of operations.

Our business could be negatively impacted if the security of our or our partners' equipment becomes compromised.

To the extent that our activities involve the storage and transmission of proprietary information about our customers or users, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. Our (or our third party service providers') security measures may not prevent security breaches. The failure to prevent these security breaches or a misappropriation of proprietary information may have a material adverse effect on our business, prospects, financial condition, and results of operations.

If we are not able to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial results, which could cause our stock price to fall or result in our stock being delisted.

Effective internal controls are necessary for us to provide reliable and accurate financial reports. We will need to devote significant resources and time to comply with the requirements of Sarbanes-Oxley with respect to internal control over financial reporting. In addition, Section 404 under Sarbanes-Oxley requires that we assess the design and operating effectiveness of our controls over financial reporting. Our ability to comply with the annual internal control report requirement will depend on the effectiveness of our financial reporting and data systems and controls across our company and our operating subsidiaries. We expect these systems and controls to become increasingly complex to the extent that we integrate acquisitions and our business grows. To effectively manage this complexity, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures. Any failure to implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results or cause us to fail to meet our financial reporting obligations, which could adversely affect our business and jeopardize our listing on the NASDAQ Capital Market, either of which would harm our stock price.

Risks Related to the Internet

We may be unable to keep pace with rapid technological change in the internet industry.

In order to remain competitive, we will be required continually to enhance and improve the functionality and features of our existing products and services, which could require us to invest significant capital or make substantial changes to our personnel, technologies or equipment. If our competitors introduce new products and services embodying new technologies or if new industry standards and practices emerge, our existing services, technologies, and systems may become obsolete or uncompetitive. We may not have the funds or technical knowledge to upgrade our services, technologies, or systems. If we face material delays in introducing new or enhanced products and services, our customers and users may select those of our competitors, in which event our business, prospects, financial condition, and results of operations could be materially and adversely affected.

Regulation of the internet may adversely affect our business.

The laws governing the internet remain largely unsettled, even in areas where legislation has been enacted. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, defamation, product liability, and taxation apply to the internet and internet services. Unfavorable resolution of these issues may substantially harm our business and operating results.

Due to the increasing popularity and use of the internet and online services such as online Yellow Pages, federal, state, local, and foreign governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the internet and other online services. These laws and regulations may affect issues such as user privacy, pricing, content, taxation, copyrights, distribution, product liability and quality of products and services. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose additional burdens on companies conducting business over the internet, including those covering user privacy, data protection, spyware, “do not email” lists, “do not call” lists, access to high speed and broadband service. Other laws and regulations that have been adopted, or may be adopted in the future, that may affect our business include pricing, taxation (including sales, value-added and other transactional taxes), tariffs, patents, copyrights, trademarks, trade secrets, export of encryption technology, electronic contracting, click-fraud, acceptable content, search terms, lead generation, behavioral targeting, consumer protection, and quality of products and services. Any new legislation could hinder the growth in use of the internet generally or in our industry and could impose additional burdens on companies conducting business online, which could, in turn, decrease the demand for our products and services, increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition, and results of operations.

We may not be able to obtain internet domain names that we would like to have.

We believe that our existing internet domain names are an extremely important part of our business. We may desire, or it may be necessary in the future, to use these or other domain names in the United States and internationally. Various internet regulatory bodies regulate the acquisition and maintenance of domain names in the United States and other countries. These regulations are subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we plan to conduct business in the future.

The extent to which laws protecting trademarks and similar proprietary rights will be extended to protect domain names currently is not clear. We therefore may be unable to prevent competitors from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our domain names, trademarks, trade names, and other proprietary rights. We cannot provide assurance that potential users and customers will not confuse our domain names, trademarks, and trade names with other similar names and marks. If that confusion occurs, we may lose business to a competitor and some customers and users may have negative experiences with other companies that those customers and users erroneously associate with us.

Our technical systems could be vulnerable to online security risks, service interruptions or damage to our systems.

Our (or our third party service providers’) systems and operations may be vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, break-ins, sabotage, computer viruses, penetration of our network by unauthorized computer users or “hackers,” natural disaster, and similar events. Preventing, alleviating, or eliminating computer viruses and other service-related or security problems may require interruptions, delays or cessation of service. We may need to expend significant resources protecting against the threat of security breaches or alleviating potential or actual service interruptions. The occurrence of such unanticipated problems or security breaches could cause material interruptions or delays in our business, loss of data, or misappropriation of proprietary information or could render us unable to provide services to our customers for an indeterminate length of time. The occurrence of any or all of these events could materially and adversely affect our business, prospects, financial condition, and results of operations.

If we are sued for content distributed through, or linked to by, our website or those of our customers, we may be required to spend substantial resources to defend ourselves and could be required to pay monetary damages.

We aggregate and distribute third-party data and other content over the internet. In addition, third-party websites are accessible through our website or those of our customers. As a result, we could be subject to legal claims for defamation, negligence, intellectual property infringement, product or service liability or other torts. Other claims may be based on errors or false or misleading information provided on or through our website or websites of our customers, or on links to sexually explicit or gambling websites and sexually explicit advertisements. We may need to expend substantial resources to investigate and defend these claims, regardless of whether we successfully defend against them. While we carry general business insurance, the amount of coverage we maintain may not be adequate. In addition, implementing measures to reduce our exposure to this liability may require us to spend substantial resources and limit the attractiveness of our products or services to users.

If our security measures are breached and unauthorized access is obtained to a client's data, our service may be perceived as not being secure and clients may curtail or stop using our service.

Our service may involve the storage and transmission of clients' proprietary information, such as credit card and bank account numbers, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. Our payment services may be susceptible to credit card and other payment fraud schemes, including unauthorized use of credit cards, debit cards or bank account information, identity theft or merchant fraud.

If our security measures are breached in the future as a result of third-party action, employee error, malfeasance or otherwise, and as a result, someone obtains unauthorized access to our clients' data, our reputation could be damaged, our business may suffer and we could incur significant liabilities. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and frequently are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose sales and clients.

Our revenue may be negatively affected if we are required to charge sales tax or other transaction taxes on all or a portion of our past and future sales to customers located in jurisdictions where we are currently not collecting and reporting tax.

We generally do not charge, collect or have imposed upon us sales, value added (VAT) or other transaction taxes related to the products and services we sell, except for certain corporate level taxes and transaction level taxes outside of the United States. However, the federal, state, and local governments or one or more foreign countries may seek to impose sales or other transaction tax obligations on us in the future. A successful assertion by any tax jurisdiction in which we do business that we should be collecting sales or other transaction taxes on the sale of our products or services, or the adoption of new laws to require us to collect such taxes, could result in substantial tax liabilities related to past sales, create increased administrative burdens or costs, discourage customers from purchasing or continuing to purchase products or services from us, decrease our ability to compete or otherwise substantially harm our business and results of operations.

Risks Related to Our Securities

Stock prices of technology companies have declined precipitously at times in the past and the trading price of our common stock is likely to be volatile, which could result in substantial losses to investors.

The trading price of our common stock has been highly volatile over the past few years and investors could experience losses in response to factors including the following, many of which are beyond our control:

- decreased demand in the internet services sector;
- variations in our operating results;
- announcements of technological innovations or new products or services by us or our competitors;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- our failure to meet analysts' expectations;
- changes in operating and stock price performance of other technology companies similar to us;
- conditions or trends in the technology industry, the online marketing industry or the mobile device industry;
- additions or departures of key personnel or strategic partners; and
- future sales of our debt or equity securities, including common stock.

Domestic and international stock markets often experience significant price and volume fluctuations that are unrelated or disproportionate to the operating performance of companies with securities trading in those markets. These fluctuations, as well as political events, terrorist attacks, threatened or actual war, and general economic conditions unrelated to our performance, may adversely affect the price of our common stock. In the past, securities holders of other companies often have initiated securities class action litigation against those companies following periods of volatility in the market price of those companies' securities. If the market price of our stock fluctuates and our stockholders initiate this type of litigation, we could incur substantial costs and experience a diversion of our management's attention and resources, regardless of the outcome. This could materially and adversely affect our business, prospects, financial condition, and results of operations.

Due to our concentrated stock ownership, public stockholders may have no effective voice in our management and the trading price of our common stock may be adversely affected.

Three stockholders beneficially own approximately 60.9% of our outstanding shares of common stock, and one of them, our CEO, is the beneficial owner of approximately 39.6% of our outstanding shares of common stock. Each of these three stockholders also has a contractual right to nominate one member of our Board of Directors. These stockholders, collectively, have the ability to determine the outcome of the election of directors at our annual meetings and to determine the outcome of many significant corporate transactions, such as mergers, consolidations, dissolutions or the sale of all or substantially all of our assets, many of which only require the approval of a majority of our voting power. These stockholders may have interests that differ from other stockholders and may vote in a way with which other stockholders disagree and which may be adverse to other stockholders' interests. Moreover, such a concentration of voting power could have the effect of delaying or preventing a third party from acquiring us at a premium. This significant concentration of share ownership may also adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with concentrated stock ownership.

We do not anticipate paying dividends on our common stock in the foreseeable future.

With the exception of dividends payable to our series E preferred stockholders, we do not intend to pay cash dividends in the foreseeable future due to our limited funds for operations. Therefore, any return on your investment would likely come only from an increase in the market value of our common stock.

Certain provisions of Nevada law, in our organizational documents and in contracts to which we are party may prevent or delay a change of control of our company.

We are subject to the Nevada anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Nevada corporations from engaging in a merger, consolidation, sales of its stock or assets, and certain other transactions with any stockholder, including all affiliates and associates of the stockholder, who owns 10% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 10% or more of the corporation's voting stock, except in certain situations. In addition, our amended and restated articles of incorporation and bylaws include a number of provisions that may deter or impede hostile takeovers or changes of control or management. These provisions include the following:

- the authority of our Board of Directors to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;
- stockholders must comply with advance notice requirements to transact any business at the annual meeting;
- all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent, unless such action or proposal is first approved by our Board of Directors;
- special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company;
- a director may be removed from office only for cause by the holders of at least two-thirds of the voting power entitled to vote at an election of directors;
- our Board of Directors is expressly authorized to alter, amend or repeal our bylaws;
- newly-created directorships and vacancies on our Board of Directors may only be filled by a majority of remaining directors, and not by our stockholders; and
- cumulative voting is not allowed in the election of our directors.

These provisions of Nevada law and our articles and bylaws could prohibit or delay mergers or other takeover or change of control of our company and may discourage attempts by other companies to acquire us, even if such a transaction would be beneficial to our stockholders.

In addition, provisions in a Securities Purchase Agreement we entered into in December 2011 grant each of three of our stockholders the right to nominate one member of our Board of Directors.

Our common stock may be subject to the "penny stock" rules as promulgated under the Securities Exchange Act of 1934.

In the event that no exclusion from the definition of "penny stock" under the Securities Exchange Act of 1934, as amended, is available, then any broker engaging in a transaction in our common stock will be required to provide its customers with a risk disclosure document, disclosure of market quotations, if any, disclosure of the compensation of the broker-dealer and its sales person in the transaction, and monthly account statements showing the market values of our securities held in the customer's accounts. The bid and offer quotation and compensation information must be provided prior to effecting the transaction and must be contained on the customer's confirmation of sale. Certain brokers are less willing to engage in transactions involving "penny stocks" as a result of the additional disclosure requirements described above, which may make it more difficult for holders of our common stock to dispose of their shares.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

We lease approximately 11,000 square feet of space located at 325 East Warm Springs Road, Suite 100, Las Vegas Nevada, which we utilize as principal executive and administrative officers and our call center. We currently pay approximately \$13,000 in monthly rent for the call center, which is subject to annual increases. Our lease for this space ends on approximately February 29, 2016; however, we have the option to extend the lease for two additional lease terms of three years each. Our San Diego executive office is located at 12520 High Bluff Drive, San Diego, California, where we utilize approximately 1,600 square feet of space in Plaza Del Mar. This office is currently being provided to us by a company that is a related party to the Isaac Capital Group LLC, one of our largest stockholders which is owned by Jon Isaac, our President and CEO and a director.

ITEM 3. Legal Proceedings

Except as described below, we are not a party to, and none of our property was the subject of, any material pending legal proceedings, other than ordinary routine litigation incidental to our business. While we currently believe that the ultimate outcome of these routine proceedings will not have a material adverse effect on our consolidated financial condition or results of operations, litigation is subject to inherent uncertainties. An unfavorable ruling could result in a material adverse impact on our net income and financial condition in the period in which a ruling occurs. Moreover, routine litigation, even if not meritorious, could result in the expenditure of significant financial and managerial resources and could adversely affect our net income and financial condition.

J3 Harmon LLC v. LiveDeal, Inc.

On February 9, 2012, J3 Harmon LLC, which we refer to as J3, filed a lawsuit against us in the Superior Court for Maricopa County in the State of Arizona, alleging breach of a commercial lease agreement. J3 sought damages for alleged unpaid rents during the lease term as well as alleged damages for storage costs after the expiration of the lease term. We denied the allegations and asserted various affirmative defenses. In September 2012, the Maricopa County Superior Court entered a judgment in favor of J3 in the sum of \$62,886.13. We appealed this judgment.

On October 1, 2013, the Arizona Court of Appeals affirmed in part and reversed in part on the principal damages and remanded the matter for judgment. Subsequently, the Maricopa County Superior Court entered Judgment on Mandate against the Company in the principal sum of \$46,636.31 and attorneys' fees of \$5,624.40, with post-judgment interest from October 3, 2012. There is no further basis for appeal by the Company. Therefore the matter is concluded. We are not aware of any post-judgment collection activity, which has been undertaken. As of September 30, 2014, the payment of this judgment has not been paid and the Company recorded an accrual of \$52,261 related to this matter.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Stock

Our common stock is traded on the NASDAQ Capital Market under the symbol "LIVE".

The following table sets forth the quarterly high and low sale prices per share of our common stock during the last two fiscal years. All prices commencing on February 12, 2014, reflect a 3:1 forward stock split.

<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>
2014 December 31, 2013	\$ 4.29	\$ 2.77
January 1, 2014 – February 11, 2014	22.19	4.21
February 12, 2014 - March 31, 2014	\$ 9.48	\$ 6.75
June 30, 2014	\$ 7.89	\$ 2.38
September 30, 2014	\$ 4.90	\$ 2.90
2013 December 31, 2012	\$ 5.34	\$ 3.04
March 31, 2013	\$ 4.10	\$ 2.11
June 30, 2013	\$ 3.43	\$ 2.51
September 30, 2013	\$ 5.19	\$ 2.38

Holder of Record

On December 19, 2014, there were approximately 157 holders of record of our common stock according to our transfer agent. We have no record of the number of stockholders who hold their stock in "street name" with various brokers.

Dividend Policy

We have one class of authorized preferred stock (Series E Preferred Stock), of which there are currently 127,840 shares issued and outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of \$0.015 per year. At September 30, 2014, we had accrued but unpaid dividends totaling approximately \$959. These dividend were paid in October 2014.

Presently, we do not pay dividends on our common stock. The timing and amount of future dividend payments on our common stock, if any, will be determined by our Board of Directors based upon our earnings, capital requirements and financial position, general economic conditions, alternative uses of capital, and other pertinent factors.

Issuer Purchases of Equity Securities

During our fiscal quarter ended September 30, 2014, neither we nor any "affiliated purchaser", as defined in Exchange Act Rule 10b-18(a)(3)), repurchased any shares of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

Reference is made to Note 11 of the notes to our consolidated financial statements for certain disclosures about our equity compensation plans.

Recent Sales of Unregistered Securities

None.

ITEM 6. Selected Financial Data

Not applicable.

ITEM 7. 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 year ended September 30, 2014, 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 consolidated financial statements, including the related notes, appearing in Part I, Item 8 of this Annual Report on Form 10-K, for the fiscal year ended September 30, 2014.

Note About Forward-Looking Statements

This Annual Report on Form 10-K 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 Annual Report include, but are not limited to our (i) belief in the continued growth of internet usage, particularly via mobile devices, and demand for web-based marketing; (ii) belief in the continued growth in the demand for local search and information, (iii) belief that small and medium businesses will continue to outsource their online marketing efforts to third parties; (iv) belief that we can cost-effectively expand into other cities due to the scalability of the LiveDeal.com platform; (v) belief that the cash on hand and additional cash generated from operations together with potential sources of cash through issuance of debt or equity will provide the company with sufficient liquidity for the next 12 months; and (vi) belief that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow or liquidity.

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 this Annual Report on Form 10-K for the fiscal year ended September 30, 2014 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 Annual Report are not part of this Annual Report.

Our Company

LiveDeal, Inc., which, together with its subsidiaries, we refer to as the “Company”, “LiveDeal”, “we”, “us” or “our”, provides specialized online marketing solutions to small-to-medium sized local businesses, or SMBs, that boost customer awareness and merchant visibility. 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 LiveDeal.com, mobile applications for iOS and Android users and our online publishing partners.

Our principal offices are located at 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119, our telephone number is (702) 939-0231, and 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”.

We provide specialized online marketing solutions that boost customer awareness and merchant visibility on the internet and through mobile applications. This fiscal year, we identified two operating segments based on our major lines of business, which we refer to as our “Legacy/Merchants’ Services” segment and our “Online Marketplace Platform” segment. In addition, we incorporated Live Goods, LLC (“Live Goods”), as our wholly-owned subsidiary, which we have used to acquire companies under our online marketplace platform segment.

Online Marketplace Platform Segment

The years ended 2013 and 2014 marked a swift transition for us. We not only launched LiveDeal.com, which marked the redefinition of our strategy and direction toward an online platform, but we also acquired DealTicker™ and Modern Everyday, Inc., and all the assets of furniture retailer, DA Stores, LLC, which expanded our footprint of our online marketplace to offer consumer goods in addition to our restaurant services. By leveraging the consumer base, intellectual property and relationships that these acquisitions have solidified for their online businesses, we expect LiveDeal.com to become a vertically integrated one-stop shop for all the needs of the everyday consumer.

In September 2013, we launched LiveDeal.com. LiveDeal.com is a unique, real-time “deal engine” connecting merchants with consumers. Currently, we provide marketing solutions to a growing base of restaurants to boost customer awareness and merchant visibility on the Internet. We believe that we have developed the first-of-its-kind web/mobile platform providing restaurants with full control and flexibility to instantly publish customized offers whenever they wish to attract customers. Restaurants can sign up to use the LiveDeal platform at our website.

Highlights of LiveDeal.com include:

- an intuitive interface enabling restaurants to create limited-time offers and publish them immediately, or on a preset schedule that is fully customizable;
- state-of-the-art scheduling technology giving restaurants the freedom to choose the days, times and duration of the offers, enabling them to create offers that entice consumers to visit their establishment during their slower periods;
- advanced publishing options allowing restaurants to manage traffic by limiting the number of available vouchers to consumers;
- superior geo-location technology allowing multi-location restaurants to segment offers by location, attracting customers to slower locations while eliminating potential over-crowding at busier sites;
- innovating proprietary restaurant indexing methodology; and
- a user-friendly mobile and desktop web interface allowing consumers to easily browse, download, and instantly redeem “live” offers found on LiveDeal.com based on their location.

In 2014, the Livedeal.com iOS mobile App was approved by Apple for inclusion in Apple’s App Store, and the Android App became available to the public in the Google Play Store.

We believe one of the primary challenges facing the dining industry is the inefficient and limited number of ways restaurants are able to market offers and promotions to their potential customers. Daily deal companies typically dictate offer terms, such as the discount amount and redemption details. This not only erodes potential profits for restaurant owners but could also drive traffic during already-busy periods for the restaurants. LiveDeal’s model benefits both the restaurant and the consumer because it provides the restaurant the opportunity to create any offer they choose, limit the number of potential claimants of their promotion, publish the offer on days and at times of their choosing, and provides customers with relevant offers they can easily and quickly redeem while creating a cost-effective model for LiveDeal to grow and easily scale its operations. We expect to initially derive revenues through premium placement on the site, and we are also exploring various options for monetizing the website.

The Company, best known for migrating print yellow pages to the Internet in 1994, began to develop the model for LiveDeal.com after having worked closely with well-known publishers in the daily deal market. In mid-2013, we tested the beta platform in a number of cities, and the model has been well received by restaurants, consumers, and various restaurant associations. We launched LiveDeal.com in the San Diego and Los Angeles, California markets in September 2013 and December 2013, respectively. This year we launched a massive advertising campaign directed at over 35 cities to support the restaurant owners who have created more than 10,000 deals in over 8,000 restaurants in those cities. The Company believes it can cost-effectively expand into other cities due to the scalability of the LiveDeal.com platform, as restaurants can curate deals through our account managers or create specials on their own. In addition, individual customers transact directly with the restaurant, eliminating the need for the Company to act as an intermediary in the sale.

In order to leverage our consumer base, during fiscal 2014 we acquired three business that offer consumer products. We plan to incorporate the sale of consumer products into our livedeal.com website to make it a vertically integrated one-stop shop for all the needs of the everyday consumer. Below is a brief description of the businesses purchased in fiscal 2014:

Modern Everyday, Inc.,

Modern Everyday, Inc. (“MEI”), acquired in August 2014, has both a retail location and a web presence providing consumers with products that range from kitchen and dining products, apparel and sporting goods to children’s toys and beauty products. Modern Everyday also has proprietary software that will give us the capability to track products and predict consumer behavior and spending habits.

DA Stores Asset Acquisition

On March 7, 2014, Live Goods acquired substantially all of the assets of DA Stores, LLC, a furniture retailer. The acquisition of the assets is intended to assist in the implementation of our consumer goods online platform. We acquired inventory and equipment, furniture, software, hardware, and domain names.

DealTicker™

On May 6, 2014, Live Goods acquired all of the issued and outstanding shares in the capital of DealTicker Inc., a Canadian corporation (“DealTicker”) from its shareholders. DealTicker is an online platform company in the retail industry offering discounted products and services in the US and Canada. For strategic reasons, we have subsequently close the operations of DealTicker.

Legacy/Merchants’ Services Segment

We developed and market a suite of products and services designed to meet the online marketing needs of SMBs at affordable prices. 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. 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. Our target customers for our Velocity Local™ and our LiveDeal® brands are SMB owners who work long hours to deliver real value to their customers in their own communities that do not have the time or expertise to develop the powerful, multi-faceted, online marketing and advertising programs necessary for successful online marketing. Our offerings draw on a decade of experience servicing SMBs in the internet technology environment.

We continue to generate a significant portion 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.

Critical Accounting Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make many estimates and assumptions that may materially affect both our consolidated financial statements and related disclosures, such as reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period, and the comparability of the information presented over different reporting periods. Estimates and assumptions are based on management's experience and other information available prior to the issuance of our financial statements. Our actual realized results may differ materially from management’s initial estimates as reported. Summaries of our significant accounting policies are detailed in the notes to the consolidated financial statements, which are an integral component of this filing.

The discussion in this section of "critical" accounting estimates and assumptions is according to the disclosure guidelines of the SEC, wherein:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on our financial condition or operating performance is material.

Besides those meeting these "critical" criteria, we make many other accounting estimates and assumptions in preparing our financial statements and related disclosures. Although not associated with “highly uncertain matters,” these estimates and assumptions are also subject to revision as circumstances warrant, and materially different results may sometimes occur.

The following summarizes “critical” estimates and assumptions made by management in the preparation of the consolidated financial statements and related disclosures.

Revenue Recognition

Directory Services

Revenue is billed and recognized monthly for services subscribed in that specific month. We have historically utilized outside billing companies to perform billing services through two primary channels:

- direct ACH withdrawals; and
- inclusion on the customer's local telephone bill provided by their Local Exchange Carriers, or LECs.

For billings via ACH withdrawals, revenue is recognized when such billings are accepted. For billings via LECs, we recognize revenue based on net billings accepted by the LECs. Due to the periods of time for which adjustments may be reported by the LECs and the billing companies, we estimate and accrue for dilution and fees reported subsequent to year-end for initial billings related to services provided for periods within the fiscal year. Such dilution and fees are reported in cost of services in the accompanying consolidated statements of operations. Customer refunds are recorded as an offset to gross revenue.

Revenue for billings to certain customers that are billed directly by us and not through the outside billing companies is recognized based on estimated future collections. We continuously reviews this estimate for reasonableness based on its collection experience.

Deals Revenue

We recognize revenue from sales through our strategic publishing partners of discounted goods and services offered by our merchant clients ("Deals") when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, where, if applicable, the Deal has been electronically delivered to the purchaser and a listing of Deals sold has been made available to the merchant. At that time, our obligations to the merchant, for which we are serving as an agent, are substantially complete. Our remaining obligations, which are limited to remitting payment to the merchant, are inconsequential or perfunctory. We record as revenue an amount equal to the net amount it retains from the sale of Deals after paying an agreed upon percentage of the purchase price to the featured merchant excluding any applicable taxes. Revenue is recorded on a net basis because we are acting as an agent of the merchant in the transaction.

Product Revenue

We derives product revenue primarily from direct revenue and fulfillment partner revenue from product sales Product revenue is recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. Revenue related to product sales is recognized when the above four criteria are met..

We evaluate the criteria outlined in ASC Topic 605-45, *Principal Agent Considerations*, in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are the primary obligor in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenue is recorded gross. If we are not the primary obligor in the transaction and amounts earned are determined using a fixed percentage, revenue is recorded on a net basis. Currently, all direct revenue and fulfillment partner revenue is recorded on a gross basis, as we are the primary obligor. We present revenue net of sales taxes.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts, which includes allowances for customer refunds, dilution and fees from LEC billing aggregators and other uncollectible accounts. The Company has increased its allowances for doubtful accounts to 89.0% of gross accounts receivable at September 30, 2014 as compared to 82.9% of gross accounts receivable at September 30, 2013. The determination of the allowance for doubtful accounts is dependent on many factors, including regulatory activity, changes in fee schedules by LEC service providers and recent historical trends.

Carrying Value of Intangible Assets

Our intangible assets consist of licenses for the use of internet domain names or universal resource locators, or URLs, capitalized website development costs and software, other information technology licenses, customer lists, non-compete agreements and marketing and technology-related intangibles acquired through acquisitions. All these assets are capitalized at their original cost (or at fair value for assets acquired through business combinations) and amortized over their estimated useful lives. We capitalize internally generated software and website development costs in accordance with the provisions of the FASB Accounting Standards Codification (“ASC”) ASC 350, “Intangibles – Goodwill and Other”.

We evaluate the recoverability of the carrying amount of intangible assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. In the event of such changes, impairment would be assessed if the expected undiscounted net cash flows derived for the asset are less than its carrying amount. Based in part on a third party appraisal of our long-lived assets, we determined that no impairment of our long-lived intangible assets existed at September 30, 2014 and 2013.

Stock-Based Compensation

From time to time we grant restricted stock awards and options to employees and executives. Such 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 vesting period.

Income Taxes

Income taxes are accounted for using the asset and liability method as prescribed by ASC 740 “Income Taxes”. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized.

We have estimated net deferred income tax assets (net of valuation allowances) of \$0 at September 30, 2014 and 2013. A full valuation allowance has been established against all net deferred tax assets as of September 30, 2014 and 2013 based on estimates of recoverability. While we have optimistic plans for our new business strategy, we determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our new business lines. Therefore, we established a valuation allowance for all deferred tax assets in excess of those expected to be realizable through the application of operating loss carrybacks.

We performed an analysis of uncertain tax positions and we did not identify any significant uncertainties that would affect the carrying value of our deferred tax assets and liabilities as of September 30, 2014 and 2013.

Results of Operations

The following sets forth a discussion of our financial results for the year ended September 30, 2014 as compared to the year ended September 30, 2013. 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. Generally, the significant changes in the results of operations when compared to the prior periods as noted below is a result of the acquisitions we made in fiscal 2014.

Net Revenues

	Net Revenues			
	2014	2013	Change	Percent
Year Ended September 30	\$ 7,265,276	\$ 2,351,868	\$ 4,913,408	209%

Net revenues in year ended September 30, 2014 increased by \$4,913,408, as compared to year ended September 30, 2013, primarily due to the acquisition we made in fiscal 2014. Revenue from our online marketplace platform segment increased from \$0 for the year ended September 30, 2013 to \$5,270,508 for the year ended September 30, 2014. We expect revenue from this segment to increase in the future. Revenue from our legacy/merchants' services segment decreased from \$2,351,868 for the year ended September 30, 2013 to \$1,994,768 for the year ended September 30, 2014. We expect revenue from this segment to continue to decrease in the future.

Cost of Services

	Cost of Services			
	2014	2013	Change	Percent
Year Ended September 30	\$ 5,226,637	\$ 916,331	\$ 4,310,306	470%

Cost of services increased in fiscal 2014 as compared to fiscal 2013, primarily due to increase in revenue from as a result of our recent acquisitions. Cost of services were 71.9% and 39.0% of net revenues for fiscal 2014 and 2013, respectively, an increase of 32.9%

Gross Profit

	Gross Profit			
	2014	2013	Change	Percent
Year Ended September 30	\$ 2,038,639	\$ 1,435,537	\$ 603,102	42%

Gross profit increased in fiscal 2014 as compared to fiscal 2013 primarily due to the increase in revenues described above. The gross profit percentage for fiscal 2014 was 28.1% compared to 61.0% for fiscal 2013. Our gross profit percentage from our legacy/merchants' services and online marketplace platform segments were 80.4% and 8.3%, respectively.

General and Administrative Expenses

	General and Administrative Expenses			
	2014	2013	Change	Percent
Year Ended September 30	\$ 5,644,218	\$ 4,114,843	\$ 1,529,375	37%

General and administrative expenses increased in the year ended September 30, 2014 as compared to year ended September 30, 2013 is principally a result of the three acquisitions that we made during fiscal 2014 which include increases payroll and related benefits, professional fees, rent and utilities, services and fees, office and supplies expenses, and other corporate expenses associated with our office operations.

Sales and Marketing Expenses

	Sales and Marketing Expenses			
	2014	2013	Change	Percent
Year Ended September 30	\$ 893,705	\$ 58,788	\$ 834,917	1420%

Sales and marketing expensed increased in the year ended September 30, 2014 as compared to year ended September 30, 2013 primarily due to expenses associated with marketing activities of our recently purchased acquisitions.

Operating Loss

	Operating Loss			
	2014	2013	Change	Percent
Year Ended September 30	\$ (4,499,284)	\$ (2,738,094)	\$ (1,761,190)	37%

The increase in operating loss for the year ended September 30, 2014 as compared to year ended September 30, 2013 resulted from a variety of factors, including increases in, general and administrative expenses and sales and marketing expenses, resulting from our recent acquisitions of three businesses.

Total Other Income (Expense)

	Total Other Income (Expense)			
	2014	2013	Change	Percent
Year Ended September 30	\$ (162,097)	\$ (3,011,628)	\$ 2,849,531	(95)%

The large improvement in other income (expense) in the year ended September 30, 2014 as compared to year ended September 30, 2013 was primarily due to interest expense incurred during the year ended September 30, 2013, relating to the amortization of debt discounts and the issuance of warrants upon the conversion of debt.

Net Loss

	Net Loss			
	2014	2013	Change	Percent
Year Ended September 30	\$ (4,661,381)	\$ (5,747,014)	\$ 1,085,633	(19)%

The decrease in the net loss for the year ended September 30, 2014, as compared to the net loss for the year ended September 30, 2013 was primarily attributable to changes in operating loss and, other income (expense), each of which is described above.

Liquidity and Capital Resources

Fiscal 2014 vs. Fiscal 2013 Cash Flows

Cash Flows from Operating Activities

Net cash used in operating activities was \$5,194,654 for the year ended September 30, 2014 as compared to \$1,805,009 for the year ended September 30, 2013. This change was due to a decrease of \$1,085,633 in our net loss, partially offset by a decrease of non-cash expenses of \$2,558,652 which during the fiscal year of 2013 included \$3,291,466 of interest expense associated with convertible debt and warrants, depreciation expense, stock compensation and bad debt expense. Cash flows from operations were also impacted by an increase of approximately \$801,161 in changes in working capital and other assets in the fiscal year 2014 as compared to the fiscal year 2013. This working capital variance resulted primarily from the changes in accounts receivable, accounts payable and accrued liabilities. 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.

Cash Flows from Investing Activities

Our cash flows used in investing activities during the fiscal year 2014 consisted of \$1,259,483 for the acquisition of three businesses, \$19,265 of expenditures for intangible assets and \$79,808 of purchases of equipment, partially offset by \$1,400 in proceeds from our sale of fixed assets. Our cash flows used in investing activities during the fiscal year 2013 consisted of \$91,483 of expenditures for intangible assets and \$49,995 of purchases of equipment.

Cash Flows from Financing Activities

Our cash flows from financing activities during the fiscal year of 2014 consisted of \$13,681,054 from issuances of common stock and \$823,595 from issuances of convertible debt and warrants, partially offset by \$17,267 in cash dividend payments on our outstanding preferred stock and payments on our notes payable of \$582,348. Our cash flows from financing activities during the fiscal year 2013 consisted of \$1,250,000 of proceeds received from the issuance of convertible debt and warrants and \$152,160 from issuance of common stock.

Working Capital

We had working capital of \$9,497,200 as of September 30, 2014 compared to working capital of \$179,968 as of September 30, 2013 with current assets increasing by \$12,826,572 and current liabilities increasing by \$3,909,340 from September 30, 2013 to September 30, 2014. Such changes in working capital are primarily attributable to the increase in our operating net loss and the results of our financing activities.

At-The-Market Offerings of Common Stock (Chardan Capital Markets LLC)

During the year ended September 30, 2014, we sold 3,115,147 shares of our common stock, resulting in gross proceeds of \$14,093,582, in an at-the-market offering, in which Chardan Capital Markets LLC (“Chardan”) was our agent. We received net proceeds of \$13,681,054. We paid Chardan a total commission of \$412,528 in connection with such sales.

Future Sources of Cash; New Products and Services

We will require additional capital to finance our planned business operations as we continue to build and market our LiveDeal.com and Velocity Local™ offerings, working capital to fund our growing operations, and develop other new products. In addition, we may require additional capital to finance acquisitions or other strategic investments in our business. Other sources of financing may include stock issuances; additional loans (for example, through our sale and issuance of convertible notes pursuant to the \$10 million line of credit that we entered into in January 2014, as amended); or other forms of financing. Any financing obtained may further dilute or otherwise impair the ownership interest of our existing stockholders. If we are unable to generate positive cash flows or raise additional capital in a timely manner or on acceptable terms, we may (i) not be able to make acquisitions or other strategic investments in our business, (ii) modify, delay or abandon some or all of our business plans, and/or (iii) be forced to cease operations.

Although we stopped new Velocity product sales on July 15, 2011, we continued to service existing customers acquired under our Directory Services and InstantProfile product and service lines and we are simultaneously exploring other strategic alternatives. In August 2012, we commenced sourcing local deals and activities to strategic publishing partners under our LiveDeal® brand, and in November 2012, we commenced the sale of marketing tools that help local businesses manage their online presence under our Velocity Local™ brand. In September 2013, we launched LiveDeal.com, which redefined our strategy and direction, centering its focus on the new LiveDeal.com platform and growing the base of restaurants utilizing the LiveDeal platform to attract new customers. LiveDeal.com is a unique, real-time “deal engine” connecting merchants with consumers. There can be no assurance that that these new product lines will generate sufficient revenue or that we will achieve profitability, positive operating cash flows, or sufficient cash flows for operations.

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 consisting of operating lease agreements and debt obligations and the effect such obligations are expected to have on our future liquidity and cash flows:

	Payments due by Period				Total
	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years	
Debt	\$ 920,360	\$ 400,000	\$ 238,969	\$ –	\$ 1,559,329
Lease obligations	489,767	326,906	–	–	816,673
Total	<u>\$ 1,410,127</u>	<u>\$ 726,906</u>	<u>\$ 238,969</u>	<u>\$ –</u>	<u>\$ 2,376,002</u>

Off-Balance Sheet Arrangements

At September 30, 2014, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

As of September 30, 2014, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required. We believe that we are not subject in any material way to other forms of market risk, such as foreign currency exchange risk or foreign customer purchases (of which there were none in fiscal 2013 or 2012) or commodity price risk.

ITEM 8. Financial Statements and Supplementary Data

**LIVEDEAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders' of
Livedeal, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Livedeal, Inc. and Subsidiaries (the "Company") as of September 30, 2014, and the related consolidated statement of operations, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that we considered appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Livedeal, Inc. and Subsidiaries as of September 30, 2014 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Anton & Chia, LLP

Newport Beach, California
December 29, 2014

Kabani & Company, Inc. Report

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
LiveDeal, Inc.

We have audited the accompanying consolidated balance sheets of LiveDeal, Inc. and Subsidiaries (the "Company") as of September 30, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended September 30, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the two year period ended September 30, 2013, in conformity with U.S. generally accepted accounting principles.

The Company's consolidated financial statements are prepared using the U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company had a net loss of \$5,747,014 for the year ended September 30, 2013 and had an accumulated deficit of \$27,333,647 as of September 30, 2013. These factors, as discussed in Note 3 to the financial statements raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to the matter are also described in Note 3. The statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Kabani and Company, Inc.

Kabani and Company, Inc.
Certified Public Accountants

Los Angeles, California
January 10, 2014

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>
Assets		
Cash and cash equivalents	\$ 8,114,682	\$ 761,458
Accounts receivable, net	854,583	174,901
Inventory	4,277,145	–
Prepaid expenses and other current assets	583,647	67,126
Total current assets	<u>13,830,057</u>	<u>1,003,485</u>
Accounts receivable, long term portion, net	–	44,639
Property and equipment, net	153,114	71,162
Deposits and other assets	65,161	25,563
Intangible assets, net	3,071,210	2,848,401
Goodwill	1,169,904	–
Total assets	<u>\$ 18,289,446</u>	<u>\$ 3,993,250</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 2,282,887	\$ 524,053
Accrued liabilities	1,046,030	299,464
Derivative liability	83,580	–
Note payable, net of debt discount	920,360	–
Total current liabilities	<u>4,332,857</u>	<u>823,517</u>
Long-term loans	638,969	–
Commitments and contingencies	251,000	–
Total Liabilities	<u>4,971,826</u>	<u>823,517</u>
Stockholders' equity:		
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 shares issued and outstanding at September 30, 2014 and September 30, 2013, liquidation preference \$38,203	10,866	10,866
Common stock, \$0.001 par value, 30,000,000 shares authorized, 14,525,248 and 11,335,674 shares issued and outstanding at September 30, 2014 and 2013, respectively	14,531	11,335
Paid in capital	45,038,176	30,481,179
Accumulated deficit	(31,996,953)	(27,333,647)
Total stockholders' equity	<u>13,066,620</u>	<u>3,169,733</u>
Total liabilities and stockholders' equity	<u>\$ 18,289,446</u>	<u>\$ 3,993,250</u>

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

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2014	2013
Revenues	\$ 7,265,276	\$ 2,351,868
Cost of revenues	5,226,637	916,331
Gross profit	<u>2,038,639</u>	<u>1,435,537</u>
Operating expenses:		
General and administrative expenses	5,644,218	4,114,843
Sales and marketing expenses	893,705	58,788
Total operating expenses	<u>6,537,923</u>	<u>4,173,631</u>
Operating loss	(4,499,284)	(2,738,094)
Other expense:		
Interest expense, net	(458,934)	(3,291,031)
Other income	240,565	279,403
Gain on derivative liability	56,272	-
Total other expense, net	<u>(162,097)</u>	<u>(3,011,628)</u>
Loss from continuing operations	<u>(4,661,381)</u>	<u>(5,749,722)</u>
Discontinued operations		
Income from discontinued component, including disposal costs	-	2,708
Income from discontinued operations	-	2,708
Net loss	<u>\$ (4,661,381)</u>	<u>\$ (5,747,014)</u>
Earnings per share - basic and diluted:		
Loss from continuing operations	\$ (0.35)	\$ (0.61)
Discontinued operations	-	0
Net loss	<u>\$ (0.35)</u>	<u>\$ (0.61)</u>
Weighted average common shares outstanding:		
Basic and diluted	<u>13,144,248</u>	<u>9,394,260</u>

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

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, September 30, 2012	7,861,458	\$ 7,861	127,840	\$ 10,866	\$ 24,395,242	\$ (21,584,715)	\$ 2,829,254
Series E preferred stock dividends	-	-	-	-	-	(1,918)	(1,918)
Stock based compensation	-	-	-	-	173,073	-	173,073
Issuance of common stock for services	202,428	202	-	-	227,510	-	227,712
Issuance of common stock for cash	132,699	133	-	-	152,027	-	152,160
Issuance of common stock for intangibles	600,000	600	-	-	993,400	-	994,000
Beneficial conversion feature on convertible debt and warrants	-	-	-	-	3,291,466	-	3,291,466
Conversion of note payable	2,539,089	2,539	-	-	1,248,461	-	1,251,000
Net loss	-	-	-	-	-	(5,747,014)	(5,747,014)
Balance, September 30, 2013	11,335,674	\$ 11,335	127,840	\$ 10,866	\$ 30,481,179	\$ (27,333,647)	\$ 3,169,733
Series E preferred stock dividends	-	-	-	-	-	(1,925)	(1,925)
Stock based compensation	-	-	-	-	167,985	-	167,985
Beneficial conversion feature on convertible debt	-	-	-	-	500,000	-	500,000
Issuance of common stock for services	24,427	31	-	-	9,623	-	9,654
Issuance of common stock for cash	3,115,147	3,115	-	-	13,677,939	-	13,681,054
Issuance of common stock for MEI purchase	50,000	50	-	-	201,450	-	201,500
Net loss	-	-	-	-	-	(4,661,381)	(4,661,381)
Balance, September 30, 2014	14,525,248	\$ 14,531	\$ 127,840	\$ 10,866	\$ 45,038,176	\$ (31,996,953)	\$ 13,066,620

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

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2014	2013
OPERATING ACTIVITIES:		
Net loss	\$ (4,661,381)	\$ (5,747,014)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	490,256	264,112
Non-cash interest expense associated with convertible debt and warrants	423,968	3,291,466
Non-cash change in fair value of derivative liability	(56,272)	–
Stock based compensation expense	167,985	173,073
Writedown of assets	315,306	–
Non-cash issuance of common stock for services	9,654	227,712
Loss on disposal of property and equipment	7,210	–
Provision for uncollectible accounts	11,972	(293,876)
Changes in assets and liabilities:		
Accounts receivable	(296,520)	888,754
Prepaid expenses and other current assets	(400,301)	(14,512)
Inventory	(2,984,031)	–
Deposits and other assets	1,204	10,144
Accounts payable	1,444,820	(493,310)
Accrued liabilities	331,476	(111,558)
Net cash used in operating activities	<u>(5,194,654)</u>	<u>(1,805,009)</u>
INVESTING ACTIVITIES:		
Acquisition of businesses, net of cash acquired	(1,259,483)	–
Expenditures for intangible assets	(19,265)	(91,483)
Proceeds from the sale of equipment	1,400	–
Purchases of property and equipment	<u>(79,808)</u>	<u>(49,995)</u>
Net cash used in investing activities	<u>(1,357,156)</u>	<u>(141,478)</u>
FINANCING ACTIVITIES:		
Issuance of common stock for cash	13,681,054	152,160
Payment of preferred stock dividends	(17,267)	–
Payments on notes payable	(582,348)	–
Proceeds from issuance of convertible debt	<u>823,595</u>	<u>1,250,000</u>
Net cash provided by financing activities	<u>13,905,034</u>	<u>1,402,160</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,353,224	(544,327)
CASH AND CASH EQUIVALENTS, beginning of period	<u>761,458</u>	<u>1,305,785</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 8,114,682</u>	<u>\$ 761,458</u>
Supplemental cash flow disclosures:		
Interest paid	<u>\$ 754</u>	<u>\$ 150</u>
Income taxes paid	<u>\$ –</u>	<u>\$ –</u>
Noncash financing and investing activities:		
Recognition of contingent beneficial conversion feature	<u>\$ 500,000</u>	<u>\$ –</u>
Issuance of common stock for intangibles	<u>\$ –</u>	<u>\$ 994,000</u>
Conversion of notes payable and accrued interest into common stock	<u>\$ –</u>	<u>\$ 1,251,000</u>
Accrued and unpaid dividends	<u>\$ 1,917</u>	<u>\$ 1,918</u>

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

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 1: Organization and Basis of Presentation

The accompanying 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 provides specialized online marketing solutions to small-to-medium sized local businesses, or SMBs, that boost customer awareness and merchant visibility. The Company offers affordable tools for SMBs to extend their marketing reach to relevant prospective customers via the internet. The Company also provides SMBs promotional marketing with the ability to offer special deals and activities through LiveDeal.com, mobile applications for iOS and Android users and our online publishing partners.

The Company’s new strategic focus is on developing and marketing a suite of affordable products and services designed to meet the online marketing needs of small and medium-sized businesses by boosting customer awareness and merchant visibility on the internet. The Company primarily sells this suite of products and services via telemarketing.

- During 2011, as part of the Company’s strategy to evaluate each of the Company’s business segments as separate entities, management noted that the Direct Sales business segment had incurred operating losses and declining revenues and did not fit with the Company’s change in strategic direction. Accordingly, in March 2011, the Company made the strategic decision to discontinue our Direct Sales business and product offerings. Prior year financial statements have been restated to present the Direct Sales business segment as a discontinued operation.
- On August 16, 2012, the Company acquired substantially all of the assets of LiveOpenly, Inc., a California corporation (“LiveOpenly”), which sourced, published and sold discounted offers for goods and services through local retail merchants, in exchange for the issuance of 75,000 shares of the Company’s common stock. In connection with the 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.
- During 2012, the Company also launched two new business lines under new management after a period of re-evaluating our sales program, products, distribution methods and vendor programs. First, 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 November 2012. Second, we commenced sourcing local deal and activities to strategic publishing partners under our LiveDeal® brand, which we refer to as promotional marketing, in August 2012. We continue to actively develop, revise and evaluate these products and services.
- During 2013, the Company launched LiveDeal.com, which redefined the Company’s strategy and direction, centering its focus on the new LiveDeal.com platform and growing the base of restaurants utilizing the LiveDeal platform to attract new customers. LiveDeal.com is a unique, real-time “deal engine” connecting merchants with consumers. The Company believes that it has developed the first-of-its-kind web/mobile platform providing restaurants with full control and flexibility to instantly publish customized offers whenever they wish to attract customers.
- On March 7, 2014, the Company incorporated Live Goods, LLC (“Live Goods”), a California limited liability company, which became a wholly-owned subsidiary of the Company. Also, on March 7, 2014, the Company signed an agreement for the acquisition of substantially all of the assets of DA Stores, LLC, through its Live Goods. The acquisition of the assets is intended to assist in the implementation of the Company’s new business line of selling furniture online. The acquisition was accounted for as a business combination. See Note 17.

- On May 6, 2014, the Company, through Live Goods, acquired all of the issued and outstanding shares in the capital of DealTicker Inc., a Canadian corporation (“DealTicker”). This acquisition increased the Company’s ability to sell consumer goods online.
- On August 24, 2014, the Company entered into a Stock Purchase Agreement with Modern Everyday Inc., a Delaware corporation (“MEI”). MEI sells consumer products online and this acquisition further enhanced the Company ability to offer a larger array of products to consumers online.

Liquidity

The Company had a net loss of \$4.6 million and \$5.7 million for the years ended September 30, 2014 and 2013, respectively. The Company had an operating cash outflow of approximately \$(5.2) million and \$(1.8) million for the years ended September 30, 2014 and 2013. The Company was sold shares of its common stock during the year ended September 30, 2014 for \$13.7 million. The Company had cash of \$8.1 million as of September 30, 2014. Management believes the Company’s cash on hand and additional cash generated from operations together with potential sources of cash such through the issuance of debt or equity will provide the Company with sufficient liquidity for the next 12 months.

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.

All data for common stock, options and warrants have been retroactively reflected the 3-for-1 forward stock split (which took effect on February 11, 2014) for all periods presented. In addition, all common stock prices, and per share data for all periods presented have been adjusted to reflect the 3-for-1 forward stock split. See Note 8 for details.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company, LiveDeal, Local Marketing Experts, Inc., Velocity Marketing Concepts, Inc., 247 Marketing Inc., Telco Billing, Inc. Telco of Canada, Inc., Velocity Local Inc., Modern Everyday, Inc. and its wholly owned subsidiaries, Modern Everyday, LLC and Super Nova, LLC, Live Goods, LLC and its wholly owned subsidiaries, DealTicker, Inc. and DA Stores, LLC. The results of operations for DA Stores, LLC., DealTicker, Inc. and Modern Everyday, Inc. have only been included since the date of acquisition of March 7, 2014, May 5, 2014 and August 24, 2014, respectively. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in connection with the accompanying consolidated financial statements include the estimate of dilution and fees associated with LEC billings, the estimated reserve for doubtful accounts receivable, estimated forfeiture rates for stock-based compensation, fair values in connection with the analysis of goodwill and long-lived assets for impairment, valuation allowances against net deferred tax assets and estimated useful lives for intangible assets and property and equipment.

Financial Instruments

Financial instruments consist primarily of cash, cash equivalents, accounts receivable, advances to affiliates and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses, long term loans, and notes payable approximate fair value because of the short maturity of those instruments.

Cash and Cash Equivalents

This includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times, cash deposits may exceed FDIC-insured limits. At September 30, 2014, the amount the Company had on deposit that exceeded the FDIC-insured limits was \$7,508,924.

Property and Equipment

Property and equipment, which consists of office equipment, computer equipment, and furniture and fixtures, is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to five years. Depreciation expense was \$48,278 and \$29,357 for the years ended September 30, 2014 and 2013, respectively.

Revenue Recognition

Directory Services

Revenue is billed and recognized monthly for services subscribed in that specific month. The Company has historically utilized outside billing companies to perform billing services through two primary channels:

- direct ACH withdrawals; and
- inclusion on the customer's local telephone bill provided by their Local Exchange Carriers, or LECs.

For billings via ACH withdrawals, revenue is recognized when such billings are accepted. For billings via LECs, the Company recognizes revenue based on net billings accepted by the LECs. Due to the periods of time for which adjustments may be reported by the LECs and the billing companies, the Company estimates and accrues for dilution and fees reported subsequent to year-end for initial billings related to services provided for periods within the fiscal year. Such dilution and fees are reported in cost of services in the accompanying consolidated statements of operations. Customer refunds are recorded as an offset to gross revenue.

Revenue for billings to certain customers that are billed directly by the Company and not through the outside billing companies is recognized based on estimated future collections. The Company continuously reviews this estimate for reasonableness based on its collection experience.

Deals Revenue

The Company recognizes revenue from its sales through its strategic publishing partners of discounted goods and services offered by its merchant clients ("Deals") when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, where, if applicable, the Deal has been electronically delivered to the purchaser and a listing of Deals sold has been made available to the merchant. At that time, the Company's obligations to the merchant, for which it is serving as an agent, are substantially complete. The Company's remaining obligations, which are limited to remitting payment to the merchant, are inconsequential or perfunctory. The Company records as revenue an amount equal to the net amount it retains from the sale of Deals after paying an agreed upon percentage of the purchase price to the featured merchant excluding any applicable taxes. Revenue is recorded on a net basis because the Company is acting as an agent of the merchant in the transaction.

Deferred Revenue

In some instances, the Company receives payments in advance of rendering services, whereupon such revenues are deferred until the related services are rendered.

Product Revenue

The Company derives product revenue primarily from direct revenue and fulfillment partner revenue from product sales. Product revenue is recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. Revenue related to product sales is recognized when the above four criteria are met.

The Company evaluates the criteria outlined in ASC Topic 605-45, *Principal Agent Considerations*, in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When the Company is the primary obligor in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenue is recorded gross. If we are not the primary obligor in the transaction and amounts earned are determined using a fixed percentage, revenue is recorded on a net basis. Currently, all direct revenue and fulfillment partner revenue is recorded on a gross basis, as the Company is the primary obligor. The Company presents revenue net of sales taxes.

Inventory

Inventory is valued at the lower of the inventory's cost (first in, first out basis) or the current market price of the inventory. Management compares the cost of inventory with its market value and an allowance is made to write down inventory to market value, if lower. All inventory at September 30, 2014 consists of finished goods inventory. At September 30, 2014, the allowance for obsolete inventory was \$252,569.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts, which includes allowances for customer refunds, dilution and fees from LEC billing aggregators and other uncollectible accounts. The Company has increased its allowances for doubtful accounts to 92.3% of gross accounts receivable at September 30, 2014 as compared to 82.9% of gross accounts receivable at September 30, 2013. The determination of the allowance for doubtful accounts is dependent on many factors, including regulatory activity, changes in fee schedules by LEC service providers and recent historical trends.

As of September 30, 2014 and 2013, approximately 76% and 57%, respectively, of the Company's allowance for doubtful accounts is an allowance against an outstanding receivable balance that is in dispute. After excluding these reserves from the related accounts receivable balances the allowance for doubtful accounts as a percentage of gross accounts receivable increases to 23% and 68%, respectively.

Legal Costs

The Company expenses legal costs associated with loss contingencies as they are incurred.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized. The Company classifies tax-related penalties and interest as a component of income tax expense for financial statement presentation.

Stock-Based Compensation

The Company from time to time grants restricted stock awards and options to employees and executives. Such 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 vesting period.

Net Loss Per Share

Net loss per share is calculated in accordance with FASB ASC 260, "Earnings Per Share". Under ASC 260 basic net loss per share is computed using the weighted average number of common shares outstanding during the period except that it does not include unvested restricted stock subject to cancellation. Diluted net loss per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of warrants, restricted shares and convertible preferred stock. The dilutive effect of outstanding restricted shares and warrants is reflected in diluted earnings per share by application of the treasury stock method. Convertible preferred stock is reflected on an if-converted basis.

Internally Developed Software and Website Development Costs

The Company incurs internal and external costs to develop software and websites to support its core business functions. The Company capitalizes internally generated software and website development costs in accordance with the provisions of the FASB ASC 350, "Intangibles – Goodwill and Other".

Long-lived Assets

The Company assesses long-lived assets, including intangible assets, for impairment in accordance with the provisions of FASB ASC 360 "Property, Plant and Equipment". A long-lived asset (or group of assets) shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of a long lived asset is not recoverable if it exceeds the sum of the undiscounted net cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. For purposes of these tests, long-lived assets must be grouped with other assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company follows ASC Topic 350 in accounting for intangible assets, which requires impairment losses to be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by the assets are less than the assets' carrying amounts. There were no impairment losses recorded on intangible assets for the years ended September 30, 2014 and 2013.

Goodwill

Goodwill represents the excess of purchase price over the underlying net assets of businesses acquired. Under accounting requirements, goodwill is not amortized but is subject to annual impairment tests. As of September 30, 2014, the Company performed the required impairment review which resulted in no impairment adjustments.

Segment Reporting

ASC Topic 280, "Segment Reporting," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has two reportable segments (See Note 18).

Derivative Financial Instruments

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Black-Scholes-Merton option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. As of September 30, 2014, the Company's only derivative financial instrument was a convertible note due to the "reset" and "dilutive issuance" clause in the note relating to the conversion price from dilutive share issuance. See Note 6.

Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

At September 30, 2014, the Company's derivative instruments were reported at fair value using Level 2 inputs as discussed in Note 6. Also, the Company has a purchase price contingency that is discussed in Note 14.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net income or stockholders' equity.

Recently Issued Accounting Pronouncements

FASB Accounting Standards Update No. 2014-08

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of consolidated operations or consolidated financial condition.

FASB Accounting Standards Update No. 2014-09

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is not permitted. The Company is currently evaluating the impact of the pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard beginning January 1, 2017.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Note 3: Discontinued Operations

As part of the Company's strategy to evaluate each of its business segments as separate entities, management noted that the Direct Sales business segment had incurred operating losses and declining revenues and did not fit with the Company's change in strategic direction. Accordingly, in March 2011, the Company made the strategic decision to discontinue its Direct Sales business and product offerings. Prior year financial statements have been recast to present the Direct Sales business segment as a discontinued operation.

The Company initiated shutdown activities in March 2011 and closed the Direct Sales business segment in May 2011. The direct sales business segment accounted for \$0 net revenues for the years ended September 30, 2013 and 2014. Net revenues from this business segment are now included as part of income from discontinued operations in the accompanying consolidated statements of operations. There was no net income/loss from discontinued operations for the year ended September 30, 2014 and net income for the year ended September 30, 2013 consisted of a recovery on a bad debt from a previous period.

Note 4: Balance Sheet Information

Balance sheet information is as follows:

	<u>September 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>
Receivables, current, net:		
Accounts receivable, current	\$ 1,611,269	\$ 904,197
Less: Allowance for doubtful accounts	(756,686)	(729,296)
	<u>\$ 854,583</u>	<u>\$ 174,901</u>
Receivables, long term, net:		
Accounts receivable, long term	\$ 344,572	\$ 374,708
Less: Allowance for doubtful accounts	(344,572)	(330,069)
	<u>\$ —</u>	<u>\$ 44,639</u>
Total receivables, net:		
Gross receivables	\$ 1,955,841	\$ 1,278,905
Less: Allowance for doubtful accounts	(1,101,258)	(1,059,365)
	<u>\$ 854,583</u>	<u>\$ 219,540</u>
Components of allowance for doubtful accounts are as follows:		
Allowance for dilution and fees on amounts due from billing aggregators	\$ 1,063,633	\$ 730,777
Allowance for customer refunds	2,107	6,281
Allowance for other trade receivables	35,518	322,307
	<u>\$ 1,101,258</u>	<u>\$ 1,059,365</u>
Property and equipment, net:		
Furnishings and fixtures	\$ 162,642	\$ 101,611
Office, computer equipment and other	192,063	404,580
	354,705	506,191
Less: Accumulated depreciation	(201,591)	(435,029)
	<u>\$ 153,114</u>	<u>\$ 71,162</u>
Intangible assets, net:		
Domain name and marketing related intangibles	\$ 1,521,015	\$ 1,513,708
Website and technology related intangibles	2,545,114	2,335,728

Covenant not to compete	120,000	-
	<u>4,504,524</u>	<u>3,849,436</u>
Less: Accumulated amortization	(1,433,314)	(1,001,035)
	<u>\$ 3,071,210</u>	<u>\$ 2,848,401</u>
Accrued liabilities:		
Deferred revenue	\$ 548,004	\$ 2,829
Accrued payroll and bonuses	107,224	27,330
Accruals under revenue sharing agreements	688	44,167
Accrued expenses - other	<u>390,114</u>	<u>225,138</u>
	<u>\$ 1,046,030</u>	<u>\$ 299,464</u>

Note 5: Intangible Assets

The Company's intangible assets consist of licenses for the use of Internet domain names, Universal Resource Locators, or URLs, capitalized website development costs, other information technology licenses, a covenant not to compete, and marketing and technology related intangibles acquired through the acquisition of LiveDeal, Inc. In addition as a result of the acquisition of MEI, the Company recorded goodwill of \$1,169,904. All such assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing - 3 to 20 years; website and technology - 3 to 5 years; and covenant not to compete - 4 years. Goodwill is not amortized, but evaluated for impairment on at least an annual basis.

Based in part on a third party appraisal of the Company's long-lived assets, the Company determined that no impairment of its long-lived intangible assets existed at September 30, 2014 and 2013.

The following summarizes estimated future amortization expense related to intangible assets that have net balances as of September 30, 2014:

2016	\$	599,505
2017		574,070
2018		512,745
2019		347,142
2020		338,992
Thereafter		698,756
	\$	<u>3,071,210</u>

Total amortization expense related to intangible assets was \$441,978 and \$234,751 for the years ended September 30, 2014 and 2013, respectively.

Note 6: Derivative Liability

The February 2014 Convertible Note of \$335,245 discussed in Note 7 has a reset provision and a dilutive issuance clause that gave rise to a derivative liability. The reset provision provides for the conversion price to be adjusted downward in the event that the Company issues any securities at a price per share lower than the then-current conversion price; provided, however, that in no event shall the conversion price per share be less than \$1.00.

The fair value of the derivative liability is recorded and shown separately under current liabilities. Changes in the fair value of the derivative liability are recorded in the consolidated statement of income under other income (expense).

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Black-Scholes-Merton option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

The range of significant assumptions which the Company used to measure the fair value of derivative liabilities at September 30, 2014 is as follows:

	Inception	September 30, 2014
Stock price	\$7.14	\$2.98
Risk free rate	.11%	.13%
Volatility	142%	94%
Exercise prices	\$8.12	\$2.93
Term (years)	1.00	.42

The following table represents the Company's derivative liability activity for both the embedded conversion features for the year ended September 30, 2014:

	<u>Amount</u>
Derivative liability balance, September 30, 2013	\$ —
Issuance of derivative liability during the year ended September 30, 2014	139,852
Change in derivative liability during the year ended September 30, 2014	<u>(56,272)</u>
Derivative liability balance, September 30, 2014	<u>\$ 83,580</u>

Note 7: Debt

ICG Convertible Note Transaction

On April 3, 2012 ("Closing Date"), the Company entered into a Note Purchase Agreement (the "ICG Purchase Agreement") with Isaac Capital Group, LLC ("ICG"), a related party, 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 1,209,675 shares, or 16.8% of the Company's outstanding common stock. The ICG Purchase Agreement and the Notes, which are unsecured, provide that all amounts payable by the Company to ICG under the Notes were due and payable on April 3, 2013 ("Maturity Date"), provided that the Company had 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 ICG Purchase Agreement) had occurred and was 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. The Company exercised such option prior to the Maturity Date.

Effective as of April 3, 2012, the Company and ICG amended the ICG 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 ICG 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 \$0.33 per share, regardless if the Company's stock is trading below that amount at the time ICG elects to convert a Note.

The ICG Purchase Agreement and the Notes, as amended, provided that:

- The Notes accrued interest at an annual interest rate equal to 8%. All interest was payable on the Maturity Date or upon the conversion of the applicable Note.
- The Company had the option to prepay each Note, in whole or in part, at any time without premium or penalty.
- If ICG elected 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 was subject to adjustment in the event of stock splits or combinations, stock dividends, certain *pro rata* distributions, and certain fundamental transactions. Each Contingent Warrant was 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 provided that they would be exercised in whole or in part and include a cashless exercise feature.
- The Notes provided that, upon the occurrence of any Event of Default, all amounts payable to ICG would become immediately due and payable without any demand or notice.
- The Company would 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) was 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 ICG 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 ICG 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 triggered 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 ICG 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 \$0.84 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 ICG Purchase Agreement, as amended, contained 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 Note No. 1 with a conversion price of \$0.79 per share, resulting in the issuance of 327,417 shares. In accordance with the terms of the agreement, warrants to acquire 327,417 shares were issued upon conversion with an exercise price of $(\$0.79 \times 120\%)$ \$0.95 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 ICG Purchase Agreement. Because the conversion price of \$0.67 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 371,487 shares of the Company’s common stock and a warrant to acquire 371,487 additional shares of the Company’s common stock at an exercise price of \$0.81 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 ICG Purchase Agreement. Because the conversion price of \$0.46 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 1,631,886 shares of the Company’s common stock and a warrant to acquire 1,631,886 additional shares of the Company’s common stock at an exercise price of \$0.55 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 ICG Purchase Agreement. Because the conversion price of \$0.47 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 535,716 additional shares of the Company’s common stock and a warrant to acquire 535,716 shares at an exercise price of \$0.56 per share. Upon conversion of Note No. 6, 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.

On January 23, 2014, the Company issued a Note to ICG in the principal amount of \$500,000. Because the conversion price of \$2.29 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$500,000. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital. The debt discount is being amortized over the one year term and therefore \$341,781 of interest expense was recognized during the year ended September 30, 2014.

Kingston Convertible Note Transaction (\$5 Million Line of Credit)

On January 7, 2014, the Company entered into a Note Purchase Agreement (the “Kingston Purchase Agreement”) with Kingston Diversified Holdings LLC (“Kingston”), pursuant to which the Investor agreed to purchase for cash up to \$5,000,000 in aggregate principal amount of the Company’s Convertible Notes (“Notes”). The Kingston Purchase Agreement and the Notes, which are unsecured, provide that all amounts payable by the Company to Kingston under the Notes will be due and payable on the second (2nd) anniversary of the date of the Kingston Purchase Agreement (the “Maturity Date”).

The Kingston Purchase Agreement and the Notes provide that:

- Either the Company or Kingston will have the right to cause the sale and issuance of Notes pursuant to the Kingston Purchase Agreement, provided that NASDAQ’s approval of the Kingston Purchase Agreement and transactions contemplated thereby is a condition precedent to each party’s right to cause any borrowings to occur under the Kingston Purchase Agreement.
- Each Note must be in a principal amount of at least \$100,000.
- The Notes are issuable at a 5% discount and 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.
- The Company or Kingston may elect at any time on or before the Maturity Date to convert the principal and accrued but unpaid interest due under any Note into shares of the Company’s common stock. The conversion price applicable to any such conversion will be an amount equal to 70% of the lesser of: (i) the closing bid price of the common stock on the date of the Kingston Purchase Agreement (i.e., \$3.12 per share); or (ii) the 10-day volume weighted average closing bid price for the common stock, as listed on NASDAQ for the 10 business days immediately preceding the date of conversion (the “Average Price”); provided, however, that in no event will the Average Price per share be less than \$0.33. For example, if the Average Price is \$0.17 per share, then for purposes of calculating the conversion price, the Average Price per share would be \$0.33 per share instead of \$0.17 per share.
- If either party elects to convert all or any portion of any Note, the Company must issue to Kingston 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 110% 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 Kingston will become immediately due and payable without any demand or notice. 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 (i) is required to provide certain financial and other information to Kingston 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 Kingston 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 Kingston Purchase Agreement, and (v) must not enter into certain types of transactions, including dispositions of its assets or business.
- The Company agreed to use commercially reasonable efforts to obtain, as promptly as practicable, any approvals of the Company's stockholders required under applicable law or NASDAQ Listing Rules in connection with the transactions contemplated by the Kingston Purchase Agreement. Unless and until any such stockholder approvals are obtained, in no event will Kingston be entitled to convert any Notes and/or exercise any Contingent Warrants to the extent that any such conversion or exercise would result in Kingston acquiring in such transactions a number of shares of the Company's common stock exceeding 19.99% of the number of shares of common stock issued and outstanding immediately prior to the Company's entry into the Kingston Purchase Agreement.
- Kingston will be entitled to certain anti-dilution adjustments if the Company issues shares of its common stock at a lower price per share than the applicable conversion price for any Note(s) issued pursuant to the Kingston Purchase Agreement. If any such dilutive issuance occurs prior to the conversion of one or more Notes, the conversion price for such Note(s) will be adjusted downward pursuant to its terms (subject to a floor of \$0.23 per share). If any such dilutive issuance occurs after the conversion of one or more Notes, Kingston will be entitled to be issued additional shares of common stock for no consideration, and to an adjustment of the exercise price payable under the applicable Contingent Warrant(s). With respect to each Note actually issued pursuant to the Kingston Purchase Agreement, Kingston's anti-dilution rights will expire two (2) years following the date of issuance.

As of September 30, 2014, there were no advances from this line of credit (See Note 19).

February 2014 Convertible Note Transaction

On February 27, 2014, the Company issued a one year convertible note to an otherwise unaffiliated, non-institutional third party in the principal amount of \$323,595. The note (i) is unsecured, (ii) bears interest at the rate of six percent per annum, and (iii) was issued without any original issue discount.

The principal is convertible into shares of the Company's common stock at any time and from time-to-time at the instance of either the Company or the holder. The per-share conversion price is an amount equal to ninety percent (90%) of the 10-day volume weighted average closing bid price for the Company's common stock, as reported by The NASDAQ Stock Market, Inc. for the ten (10) trading days immediately preceding the date of the notice of conversion, subject to downward adjustment in the event that the Company issues any securities at a price per share lower than the then-current conversion price; provided, however, that in no event shall the conversion price per share be less than \$1.00. The Company provided the holder with certain negative covenants and events of default, each standard for transactions of this nature.

Due to the "reset" and "dilutive issuance" clause in this note relating to the conversion price from dilutive share issuance, the Company has determined that the conversion feature is considered a derivative liability for the Company, which is detailed in Note 6.

The Company determined an initial derivative liability value of \$139,852, which is recorded as a derivative liability as of the date of issuance while also recording an \$139,852 debt discount on its balance sheet in relation to the bifurcation of the embedded conversion options of the note. The debt discount is being amortized over the one year term and therefore \$82,187 of interest expense was recognized during the year ended September 30, 2014. The Company recorded \$56,272 of non-cash "change in fair value of derivative" income during the year ended September 30, 2014, related to this note.

Credit line

In connection with the purchase of Modern Everyday, Inc., the Company assumed a credit line from a bank. The credit line is collateralized by all the assets of Modern Everyday, Inc., accrues interest at prime plus 2% and is due on September 28, 2019.

Notes payable of Modern Everyday, Inc.

In connection with the purchase of Modern Everyday, Inc., the Company assumed certain notes payable. Subsequent to the closing of the acquisition, the Company repaid \$582,348 of these notes payable.

Outstanding debt at September 30, 2014 consisted of the following:

Note payable to individual, payable on demand, interest at 10.0% per annum, unsecured	\$ 90,168
Convertible note payable to individual, due February 27, 2015, interest at 6.0% per annum, unsecured	335,245
Convertible note payable to ICG, due January 23, 2015, interest at 8.0% per annum, unsecured	527,889
Acquisition note payable (See Note 17), \$200,000 due February 28, 2015 and \$400,000 due February 28, 2016, non-interest bearing with interest imputed at 2.87% per annum	581,707
Credit line due September 28, 2019, with interest rate at prime plus 2%	240,204
Less Debt Discount	(215,884)
Total Debt	1,559,329
Current portion	920,360
Long-term portion	<u>\$ 638,969</u>

Future maturities of debt at September 30, 2014 are as follows:

<u>Years ending September 30,</u>	
2015	\$ 920,360
2016	400,000
2017	—
2018	—
2019	238,969
Thereafter	—
	<u>\$ 1,559,329</u>

Note 8: Stockholders' Equity

August 2013 Equity Issuance

On August 22, 2013, the Company agreed to issue 47,319 shares of common stock to a software developer in exchange for professional services valued at an aggregate of \$50,000. The per share valuation associated with the issuance was \$1.06, which was equal to the closing price of our common stock as reported on the NASDAQ Capital Market on the date of the transaction. Pursuant to applicable NASDAQ Listing Rules, the share issuance is subject to stockholder approval of our new 2013 Omnibus Equity Incentive Plan, which the Company intends to seek at our 2014 Annual Meeting of Stockholders.

September 2013 Equity Issuance

On September 9, 2013, we issued 600,000 shares to Novalk Apps S.A.S. in exchange for certain customer relationship manager, or CRM, software assets acquired pursuant to an Asset Purchase Agreement dated as of the same date. Such assets were valued at an aggregate of \$994,000. The per share purchase price for such shares was \$1.66, which was equal to the closing price of our common stock as reported on the NASDAQ Capital Market on the date of the transaction.

On September 30, 2013, we issued 132,699 shares of common stock to John Kocmur, a former member of our Board of Directors, in exchange for a cash payment of \$152,160. The per share purchase price for such shares was \$1.15, which was equal to the closing price of our common stock as reported on the NASDAQ Capital Market on the date of the transaction.

Note Conversions

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 7.

For the year ended September 30, 2014, 21,465 shares of the Company's common stock were recorded but not yet issued to members of the Board of Directors in exchange for services. See Note 10.

At-The-Market Offerings of Common Stock (Chardan Capital Markets LLC)

On January 7, 2014, the Company entered into an Engagement Agreement (the "January 2014 Engagement Agreement") with Chardan Capital Markets LLC ("Chardan") pursuant to which the Company agreed to issue and sell up to a maximum aggregate amount of 1,980,000 shares of its common stock from time to time through Chardan as its sales agent, under its shelf Registration Statement on Form S-3 (File No. 333-187397) (the "First Registration Statement") previously filed with the SEC. During the quarter that ended on March 31, 2014, the Company sold 2,214,612 shares of its common stock under the First Registration Statement, resulting in gross proceeds of \$10,000,000, in an at-the-market offering, in which Chardan was its agent. The Company received net proceeds of \$9,696,013. The Company paid Chardan a total commission of \$299,882 pursuant to the January 2014 Engagement Agreement.

On May 16, 2014, the Company entered into an Engagement Agreement (the "May 2014 Engagement Agreement") with Chardan pursuant to which the Company may issue and sell up to a maximum aggregate amount of 10,000,000 shares of its common stock from time to time through Chardan as its sales agent, under its shelf Registration Statement on Form S-3 (File No. 333-193971) (the "Second Registration Statement") previously filed with the SEC, pursuant to which any shares that are issued under the May 2014 Engagement Agreement will be sold.

Upon delivery of a placement notice by the Company, and subject to the terms and conditions of the May 2014 Engagement Agreement, Chardan may sell the common stock by any method that is deemed to be an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), including by means of ordinary brokers' transactions at market prices on the NASDAQ Capital Market, in block transactions, through privately negotiated transactions, or as otherwise agreed by Chardan and the Company. Chardan will act as sales agent on a commercially reasonable efforts basis consistent with its normal trading and sales practices and applicable state and federal law, rules and regulations and the rules of NASDAQ.

The offering pursuant to the May 2014 Engagement Agreement will terminate upon the earlier of (i) the sale of all shares of common stock subject to the May 2014 Engagement Agreement, or (ii) termination of the May 2014 Engagement Agreement as permitted therein. The Engagement Agreement may be terminated by Chardan or us at any time upon 15 days' written notice to the other party.

The Company will pay Chardan a commission equal to up to 3% of the gross proceeds from the sale of the common stock sold through Chardan pursuant to the May 2014 Engagement Agreement and reimburse Chardan up to \$15,000 in expenses. No assurance can be given that the Company will sell any shares under the May 2014 Engagement Agreement, or, if the Company does, as to the price or amount of shares that we will sell, or the dates on which any such sales will take place.

For the quarter ended June 30, 2014, the Company sold 790,236 shares of its common stock under the Second Registration Statement, resulting in gross proceeds of \$3,599,774, in an at-the-market offering, in which Chardan was its agent. The Company received net proceeds of \$3,491,702. The Company paid Chardan a total commission of \$107,993 pursuant to the May 2014 Engagement Agreement.

For the quarter ended September 30, 2014, the Company sold 110,300 shares of its common stock under the Second Registration Statement, resulting in gross proceeds of \$508,598, in an at-the-market offering, in which Chardan was its agent. The Company received net proceeds of \$493,340. The Company paid Chardan a total commission of \$15,258 pursuant to the May 2014 Engagement Agreement.

2014 Omnibus Equity Incentive Plan

On January 7, 2014, our Board of Directors adopted the 2014 Omnibus Equity Incentive Plan (the "2014 Plan"), which authorizes the issuance of distribution equivalent rights, incentive stock options, non-qualified stock options, performance stock, performance units, restricted ordinary shares, restricted stock units, stock appreciation rights, tandem stock appreciation rights and unrestricted ordinary shares to our officers, employees, directors, consultants and advisors. The Company has reserved up to 1,800,000 shares of common stock for issuance under the 2014 Plan. As required under Nasdaq Listing Rule 5635(c), the Company included a proposal at its 2014 Annual Meeting of Stockholders, which was held on July 11, 2014, to obtain approval of the 2014 Plan. The 2014 Plan was approved.

3-for-1 Forward Stock Split

On January 16, 2014, our Board of Directors approved a 3-for-1 forward stock split with respect to the Company's common stock. Stockholders received three shares of common stock for every one share of common stock owned on the record date of February 3, 2014. The forward stock split was effective as of the close of trading on February 11, 2014. The additional shares were distributed as of the close of business on February 11, 2014. In connection with the forward stock split, the Company's authorized shares of common stock also increased from 10,000,000 shares to 30,000,000 shares. All data for common stock, options and warrants have been adjusted to reflect the 3-for-1 forward stock split for all periods presented. In addition, all common stock prices, and per share data for all periods presented have been adjusted to reflect the 3-for-1 forward stock split.

Series E Convertible Preferred Stock

During the year ended September 30, 2002, pursuant to an existing tender offer, holders of 13,184 shares of the Company's common stock exchanged said shares for 131,840 shares of Series E Convertible Preferred Stock, at the then \$0.85 market value of the common stock. The shares carry a \$0.30 per share liquidation preference and accrue dividends at the rate of 5% per annum on the liquidation preference per share, payable quarterly from legally available funds. If such funds are not available, dividends shall continue to accumulate until they can be paid from legally available funds. Holders of the preferred shares are entitled, after two years from issuance, to convert them into common shares on a hundred-to-one basis together with payment of \$0.45 per converted share.

Dividends

During each of the years ended September 30, 2014 and 2013, the Company accrued dividends of \$1,925 and \$1,918, respectively, payable to holders of Series E preferred stock. The Company paid dividends of \$17,267 and \$0 in 2014 or 2013, respectively.

Note 9: Warrants

As discussed in Note 7, the Company issued several Notes in prior periods and converted them resulting in the issuance of warrants. The following table summarizes information about the Company's warrants at September 30, 2014:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at September 30, 2012	327,417	\$ 0.95	4.95	\$ 253,202
Granted	2,539,089	0.59		
Exercised	—			
Outstanding at September 30, 2013	2,866,506	0.63	4.39	1,471,998
Granted	—			
Exercised	—			
Outstanding at September 30, 2014	<u>2,866,506</u>	<u>0.63</u>	<u>3.39</u>	<u>6,732,700</u>
Exercisable at September 30, 2014	<u>2,866,506</u>	<u>0.63</u>	<u>3.39</u>	<u>6,732,700</u>

Most of the above warrants were issued in connection with conversion of convertible notes (See Note 7). When the debt is converted and warrants are issued, the Company determines the fair value of the warrants using the Black-Scholes model and takes a charge to interest expense at the date of issuance.

Note 10: Stock-based Compensation

From time to time, the Company grants stock options and restricted stock awards to officers, directors and employees. 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 following table summarizes stock option activity for the years ended September 30, 2014 and 2013:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2012	—			
Granted	675,000			
Exercised	—			
Forfeited	—			
Outstanding at September 30, 2013	675,000	\$ 2.82		\$ —
Granted	—			
Exercised	—			
Forfeited	(75,000)			
Outstanding at September 30, 2014	<u>600,000</u>	<u>2.76</u>	<u>4.90</u>	<u>318,250</u>
Exercisable at September 30, 2014	<u>150,000</u>	<u>\$ 4.43</u>	<u>5.50</u>	<u>246,250</u>

The following table summarizes information about the Company's non-vested shares as of September 30, 2014:

Non-vested Shares	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at September 30, 2013	600,000	\$ 0.73
Granted	—	
Vested	(150,000)	
Nonvested at September 30, 2014	450,000	\$ 0.73

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted with the following assumptions:

	Year Ended September 30, 2013
Volatility	124%-127%
Risk-free interest rate	.08%-.66%
Expected term	1-3.77 years
Forfeiture rate	10%
Dividend yield rate	0%

The volatility used was based on historical volatility of the Company's common stock, which management considers to be the best indicator of expected future volatility. The risk free interest rate was determined based on treasury securities with maturities equal to the expected term of the underlying award. The expected term was determined based on the simplified method outlined in Staff Accounting Bulletin No. 110.

Stock option awards are expensed on a straight-line basis over the requisite service period. The Company recognized compensation expense of \$167,985 and \$173,073 during the year ended September 30, 2014 and 2013, 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.

At September 30, 2014, the Company had \$105,997 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 1.33 years.

Restricted Stock Awards

The Company previously maintained the 2003 Amended and Restated 2003 Stock Plan ("2003 Plan"), which was approved by the Company's stockholders, for the issuance of stock-based compensation awards. As amended, the Company was permitted to issue an aggregate of 340,000 shares of common stock under the 2003 Plan. All Company personnel and contractors are eligible to participate in the 2003 Plan. By its terms, the 2003 Plan expired on July 21, 2013 (which was the tenth anniversary of the effective date of the 2003 Plan), and no new awards were made thereafter. The Company anticipates implementing a new equity incentive plan to replace the 2003 Plan.

In September 2011, in an effort to preserve cash, the Board, after consultation with the Compensation Committee, entered into an agreement to compensate the 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 2003 Plan.

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 year ended September 30, 2014:

Outstanding (unvested) at September 30, 2013	–
Granted	21,000
Forfeited	–
Vested	(21,000)
Outstanding (unvested) at September 30, 2014	<u>–</u>

On January 6, 2014, the Company issued 21,000 shares of common stock in exchange for professional services. As of September 30, 2014, all 21,000 shares were fully vested.

Note 11: 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 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>Year Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Loss from continuing operations	\$ (4,661,381)	\$ (5,749,722)
Less: preferred stock dividends	(1,925)	(1,918)
Loss from continuing operations applicable to common stock	(4,663,306)	(5,751,640)
Income from discontinued operations	–	2,708
Net loss applicable to common stock	<u>\$ (4,663,306)</u>	<u>\$ (5,748,932)</u>
Weighted average common shares outstanding - basic and diluted	13,144,248	9,394,260
Earnings per share - basic and diluted:		
Loss from continuing operations	\$ (0.35)	\$ (0.61)
Discontinued operations	–	–
Net loss	<u>\$ (0.35)</u>	<u>\$ (0.61)</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:

	Year Ended September 30,	
	2014	2013
Options to purchase shares of common stock	600,000	675,000
Warrants to purchase shares of common stock	2,866,506	2,866,506
Series E convertible preferred stock	127,840	127,840
Convertible notes	739,601	–
Total potentially dilutive shares	<u>4,333,947</u>	<u>3,669,346</u>

Note 12: Restructuring Activities

In May 2011 the Company ceased the Direct Sales business and migrated the remaining customers to Reach Local in exchange for 10% of gross revenues derived from such customers during the first and second year, respectively. The Company recorded \$0 and \$816 in revenues for this agreement during the years ended September 30, 2014 and 2013, respectively. In connection with the discontinued Direct Sales business, seven employees were terminated.

Note 13: Related Party Transactions

Convertible Notes with ICG

As described in Note 7, during 2012 and 2013 the Company entered into a Note Purchase Agreement with ICG, an entity owned by Jon Isaac, the Company's President and Chief Executive Officer and a director of the Company, and subsequently issued a series of Subordinated Convertible Notes thereunder to ICG. In connection with these transactions, the Company received gross proceeds of \$500,000 and \$1,250,000 during the year ended September 30, 2014 and 2013, respectively.

Under the terms of the Note Purchase Agreement and the Subordinated Convertible Notes, ICG executed its conversion option on all then-outstanding notes during the quarter ended December 31, 2012. In exchange for the conversion of \$250,000 of convertible notes during the quarter ended December 31, 2012, ICG received an aggregate of 371,487 of shares of common stock and, upon conversion ICG also received warrants to acquire an additional 371,487 shares of common stock.

Because the conversion price under ICG's notes was less than the fair market value of the stock on the date of issuance, the Company recognized a beneficial conversion feature which was treated as a debt discount and amortized on a straight line basis as interest expense until the date of conversion, at which time all remaining debt discount was recognized as interest expense. Additionally, the fair value of the warrants that were contingently issuable to ICG upon conversion were recognized as additional interest expense.

During the year ended September 30, 2013 and 2014, the Company recognized total interest expense of \$369,670 and \$3,291,466, respectively, associated with the ICG notes.

Note 14: Commitments and Contingencies

Purchase price contingency

In connection with acquisition of Modern Everyday, Inc. (see Note 17), the Company issued 50,000 shares of the Company's common stock as part of the consideration for the acquisition. The Company has guaranteed the holder of the 50,000 shares that the value of those shares will be at least \$8.00 per shares 30 months after the acquisition date. The Company has agreed to compensate the holder, if the share price is less than \$8.00 at the 30 months anniversary of the acquisition, the difference between \$8.00 and the share price at the 30 month anniversary times the number of shares still owned by the holder. As of September 30, 2014, the Company as recorded a liability of \$251,000 related to this guarantee. The value of these shares was included as part of the purchase price consideration. The Company will adjust this guarantee at the end of each balance sheet date based on the current price of the Company's common stock.

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 September 30, 2014, our annual results of operations, cash flows or liquidity of the Company.

J3 Harmon LLC v. LiveDeal, Inc.

On February 9, 2012, J3 Harmon LLC, which we refer to as J3, filed a lawsuit against us in the Superior Court for Maricopa County in the State of Arizona, alleging breach of a commercial lease agreement. J3 sought damages for alleged unpaid rents during the lease term as well as alleged damages for storage costs after the expiration of the lease term. We denied the allegations and asserted various affirmative defenses. In September 2012, the Maricopa County Superior Court entered a judgment in favor of J3 in the sum of \$62,886. We appealed this judgment.

On October 1, 2013, the Arizona Court of Appeals affirmed in part and reversed in part on the principal damages and remanded the matter for judgment. Subsequently, the Maricopa County Superior Court entered Judgment on Mandate against the Company in the principal sum of \$46,636 and attorneys' fees of \$5,624, with post-judgment interest from October 3, 2012. There is no further basis for appeal by the Company. As of September 30, 2014, the payment of this judgment has not been paid and the Company recorded an accrual of \$52,261 related to this matter.

Operating Leases and Service Contracts

The Company leases its office space and certain equipment under long-term operating leases expiring through fiscal year 2016. Rent expense under these leases was \$446,780 and \$152,372 for the years ended September 30, 2014 and 2013, respectively. The Company has also entered into several non-cancelable service contracts.

As of September 30, 2014, future minimum annual payments under operating lease agreements for fiscal years ending September 30 are as follows:

2015	489,767
2016	272,960
2017	53,946
2018	—
2019	—
Thereafter	—
	<u><u>\$ 816,673</u></u>

Note 15: Provision for Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A full valuation allowance is established against all net deferred tax assets as of September 30, 2014 and 2013 based on estimates of recoverability. While the Company has optimistic plans for its business strategy, it determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to its ability to generate sufficient profits from its new business model.

Because of the impacts of the valuation allowance, there was no income tax expense or benefit for the years ended September 30, 2014 and 2013.

A reconciliation of the differences between the effective and statutory income tax rates for years ended September 30:

	2014		2013	
	Amount	Percent	Amount	Percent
Federal statutory rates	\$ (1,584,870)	34%	\$ (1,953,982)	34%
State income taxes	(40,088)	1%	(193,167)	3%
Permanent differences	200,518	(4%)	15,967	(0%)
Valuation allowance against net deferred tax assets	1,424,439	(31%)	2,131,182	(37%)
Effective rate	\$ —	—%	\$ —	—%

At September 30, deferred income tax assets and liabilities were comprised of:

	2014	2013
Deferred income tax asset, current:		
Book to tax differences in accounts receivable	\$ 259,448	\$ 382,218
Book to tax differences in prepaid assets and accrued expenses	(21,450)	8,425
Total deferred income tax asset, current	237,998	390,643
Less: valuation allowance	(237,998)	(390,643)
Deferred income tax asset, current, net	—	—
Deferred income tax asset, long-term:		
Net operation loss carryforwards	8,668,250	12,821,092
Book to tax differences for stock based compensation	—	6,407
Book to tax differences in intangible assets	928,222	6,693,536
Book to tax differences in other	—	326
Book to tax differences in depreciation	5,710	—
Total deferred income tax asset, long-term	9,602,182	(2,297,221)
Less: valuation allowance	(9,602,182)	(17,224,140)
Deferred income tax asset, net	—	—
Total deferred income tax asset	\$ —	\$ —

The Company has recorded as of September 30, 2014 and 2013 a valuation allowance of \$9,602,182 and \$17,224,140, respectively, as it believes that it is more likely than not that the deferred tax assets will not be realized in future years. Management has based its assessment on available historical and projected operating results.

The Company annually conducts an analysis of its tax positions and has concluded that it has no uncertain tax positions as of September 30, 2014.

The Company has net operating loss carry-forwards of approximately \$24.9 million. Such amounts are subject to IRS code section 382 limitations and expire in 2023. The 2009 to 2012 tax years are still subject to audit.

Note 16: 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 September 30, 2014. At times, balances may exceed federally insured limits. At September 30, 2014, the amount the Company had on deposit that exceeded the FDIC-insured limits was \$7,508,924.

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 Local Exchange Carrier (“LEC”) 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 September 30, 2014 and September 30, 2013 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 LEC service providers. Three such entities accounted for 23%, 14% and 10% of gross receivables at September 30, 2014 and 44%, 25%, and 18% of gross receivables at September 30, 2013, respectively.

Note 17: Business Combinations***Asset Purchase Agreement – DA Stores, LLC***

On March 7, 2014, the Company incorporated Live Goods, LLC (“Live Goods”), a California limited liability company, which became a wholly-owned subsidiary of the Company. Also, on March 7, 2014, the Company signed an agreement for the acquisition of substantially all of the assets of DA Stores, LLC, through its Live Goods. The acquisition of the assets is intended to assist in the implementation of the Company’s new business line. Under the terms of the acquisition, the Company acquired DA Stores, LLC’s retail store inventory and equipment, furniture, software, hardware, and domain names in exchange for \$200,000 cash. The purchase price for the assets of DA Stores was determined to be the fair market value thereof. On May 16, 2014, DA Stores, LLC, executed the Deed of Transfer in respect of all the assets.

In connection with the transaction, the Company paid to the benefit of each of Akmal Hodjaev and David Rashidov the sum of \$150,000 as retention compensation. The Company, through Live Goods LLC, also agreed to employ each of such individuals for a three-year term, commencing as of the date of the transaction. However, in the event that either or both of such individuals voluntarily terminates their respective employment prior to the expiration of such three-year term, such terminating individual has agreed to return such \$150,000 sum.

Further, and in connection with such individual's employment but subject to the achievement of certain performance metrics at the one-year anniversary of the acquisition of such assets, the Company will pay an aggregate, additional amount to Messrs. Hodjaev and Rashidov, in cash or stock options (based on the price of the Company's common stock on March 7, 2014), as follows:

- i. \$300,000 if the operations of the purchased assets of DA Stores, LLC, achieve \$15,000,000 in revenue during such 12-month period with 5% profitability margin;
- ii. \$250,000 if the operations of the purchased assets of DA Stores, LLC, achieve \$12,000,000 in revenue during such 12-month period, with 5% profitability margin; or
- iii. \$200,000 if the operations of the purchased assets of DA Stores, LLC, achieve \$10,000,000 in revenue during such 12-month period with 5% profitability margin.

The Company will recognize this additional, conditional payment to such individuals, if, when, and any such performance metric has been achieved.

Share Purchase Agreement -- DealTicker, Inc.

On May 6, 2014, the Company, through Live Goods, acquired all of the issued and outstanding shares in the capital of DealTicker Inc., a Canadian corporation ("DealTicker"), from Julian Gleizer and Daniel Abramov, the shareholders of DealTicker (collectively the "Sellers"). Upon the closing of the transaction, the Sellers sold all of the shares of DealTicker to Live Goods for a purchase price in the aggregate amount of CAN\$246,000 (US\$228,000). Pursuant to the terms of the Agreement, Live Goods may, in its absolute discretion, increase the purchase price taking into account the financial performance and operation of the DealTicker business during the one-year period following the closing compared to historical performance. Subsequently the Company wrote off all the assets that were purchased except for the customer list.

Share Purchase Agreement – Modern Everyday, Inc.

On August 24, 2014, the Company entered into a Stock Purchase Agreement with Modern Everyday Inc., a Delaware corporation ("MEI"), and Byron Hsu, as the sole stockholder of MEI. Pursuant to the Agreement, LiveDeal acquired 100% of the issued and outstanding shares of common stock (the "Shares") of MEI from Mr. Hsu.

The purchase price paid for the shares consisted of three components: shares of the Company's common stock, cash and a promissory note:

- i. 50,000 shares of LiveDeal restricted common stock valued at \$395,500;
- ii. \$1,100,000 of cash paid to Mr. Hsu; and
- iii. A \$600,000 promissory note that bears no interest, with \$200,000 due February 28, 2015, with the balance due on February 28, 2016, and is secured by a second-position security interest in the fair value of inventory, accounts receivable, and cash and deposit accounts of MEI.

In connection with the Agreement, the Company and Mr. Hsu also entered into an employment agreement pursuant to which Mr. Hsu is employed to serve as President, Chief Executive Officer and Chief Technical Officer of MEI. The initial term of the employment agreement is for eighteen months, and Mr. Hsu's base annual salary will be \$160,000.

A summary of the purchase price allocations is below:

	DA Stores	DealTicker	Modern Everyday	Total
Cash	\$ –	\$ 103,884	164,633	\$ 268,517
Accounts receivable	–	27,193	349,860	377,053
Inventory	110,375	55,691	1,232,398	1,398,464
Other current assets	–	–	229,400	229,400
Property and equipment	48,500	12,855	7,755	69,110
Developed technology	–	–	310,000	310,000
Covenant not to compete	–	–	120,000	120,000
Customer list	–	175,823	–	175,823
Other intangible assets	30,000	69,839	–	99,839
Goodwill	–	–	1,169,904	1,169,904
Other assets	11,125	10,285	19,392	40,802
Accounts payable	–	(28,106)	(285,908)	(314,014)
Notes payable	–	–	(463,398)	(463,398)
Line of credit	–	–	(490,568)	(490,568)
Other liabilities	–	(199,464)	(287,968)	(487,432)
Purchase price	<u>\$ 200,000</u>	<u>\$ 228,000</u>	<u>\$ 2,075,500</u>	<u>\$ 2,503,500</u>

The developed technology, covenant not to compete and the customer list are being amortized over 3, 4 and 3 years, respectively.

The revenue from the acquisitions of DA Stores, DealTicker and Modern Everyday included in the results of operations from the respective dates of acquisition to September 30, 2014 were \$3,297,206, 2,154 and \$1,183,172, respectively

The pro forma information below present statement of operations data as if the acquisition of MEI (the most significant acquisition) took place on October 1, 2012.

	Years Ended September 30,	
	2014 (unaudited)	2013 (unaudited)
Net revenue	\$ 16,765,798	\$ 9,511,211
Gross profit	6,366,758	4,866,537
Operating loss	(4,581,470)	(2,753,240)
Net income	(4,824,945)	(5,054,123)
Loss per share	(0.37)	(0.54)

Note 18: Segment Reporting

The Company operates in two segments which are characterized as: (1) legacy merchant's services and (2) online marketplace platform. The legacy/merchants' services consists of LEC business and Velocity Local and the online marketplace platform consists of livedeal.com and the recent acquisitions of consumer products entities.

The following tables summarize segment information for the years ended September 30, 2014 and 2013:

	Year Ended September 30,	
	2014	2013
Net revenues		
Marketplace platform	\$ 5,270,508	\$ 0
Services	<u>1,994,768</u>	<u>2,351,868</u>
	<u>\$ 7,265,276</u>	<u>\$ 2,351,868</u>
Gross profit		
Marketplace platform	\$ 435,830	\$ 0
Services	<u>1,602,809</u>	<u>1,435,537</u>
	<u>\$ 2,038,639</u>	<u>\$ 1,435,537</u>
Operating income (loss)		
Marketplace platform	\$ (5,535,360)	\$ (3,052,935)
Services	<u>1,036,076</u>	<u>314,841</u>
	<u>\$ (4,499,284)</u>	<u>\$ (2,738,094)</u>
Depreciation and amortization		
Marketplace platform	\$ 473,292	\$ 247,473
Services	<u>16,964</u>	<u>16,639</u>
	<u>\$ 490,256</u>	<u>\$ 264,112</u>
Interest Expenses		
Marketplace platform	\$ 458,934	\$ 3,291,031
Services	<u>0</u>	<u>0</u>
	<u>\$ 458,934</u>	<u>\$ 3,291,031</u>
Net income (loss)		
Marketplace platform	\$ (5,822,732)	\$ (6,156,289)
Services	<u>1,161,351</u>	<u>409,275</u>
	<u>\$ (4,661,381)</u>	<u>\$ (5,747,014)</u>
As of September 30,		
	2014	2013
Total Assets		
Marketplace platform	\$ 18,118,425	\$ 3,670,208
Services	<u>171,021</u>	<u>323,042</u>
	<u>\$ 18,289,446</u>	<u>\$ 3,993,250</u>
Intangible assets		
Marketplace platform	\$ 4,234,692	\$ 2,839,557
Services	<u>6,422</u>	<u>8,844</u>
	<u>\$ 4,241,114</u>	<u>\$ 2,848,401</u>

Note 19: Subsequent Events

ICG

On December 3, 2014, ICG converted its note payable of \$500,000 plus \$35,001 of accrued interest into shares of the common stock.

Kingston

On October 16, 2014, the Company issued to Kingston a convertible note in the amount of \$100,000 and on November 7, 2014, Kingston converted the entire principal balance plus interest into shares of the Company's Common stock.

In addition, on October 29, 2014, the Company entered into an amended convertible note purchase agreement with Kingston whereby the Company and Kingston agreed to (i) increase the maximum principal amount of the notes from \$5 million to \$10,000,000 in principal amount, (ii) eliminate the original issue discount provision of the Agreement and replaces it with an execution payment equal to 5% of the maximum loan amount to be paid in January 2015, and (iii) provides certain additional adjustments to the note conversion price and to the warrant exercise price.

Software Purchase Agreement

In October 2014, the Company entered into a purchase agreement to purchase from the seller a products engine infrastructure system software, including without limitation all computer programs in source code, object code, algorithms, flow charts and other code in any format or media, and any and all related documentation and all "Intellectual Property" embodied in such software. The purchase price of \$1.5 million is payable in cash or shares of the Company's common stock.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

ITEM 9A. 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 principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial 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 Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control — Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting was effective as of September 30, 2014.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to a permanent exemption of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report. Accordingly, our management's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2014 has not been audited by our auditors, Anton & Chia, LLP, or any other independent registered accounting firm.

ITEM 9B. Other Information

None.

PART III

The information required by Part III is omitted from this Annual Report on Form 10-K because the required information will be incorporated by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A of the Exchange Act (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be disclosed in the Proxy Statement and is incorporated by reference from the Proxy Statement.

The Company has adopted a Code of Ethics that applies to all of its officers, directors and employees.

ITEM 11. Executive Compensation

The information required by this Item will be disclosed in the Proxy Statement and is incorporated by reference from the Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be disclosed in the Proxy Statement and is incorporated by reference from the Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be disclosed in the Proxy Statement and is incorporated by reference from the Proxy Statement.

ITEM 14. Principal Accounting Fees and Services

The information required by this Item will be disclosed in the Proxy Statement and is incorporated by reference from the Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

- (a)(1) Financial Statements are listed on the Index to Consolidated Financial Statements on page 31 of this Annual Report.
- (2) None

(3) The following exhibits are filed with or incorporated by reference into this Annual Report.

Exhibit Number	Description	Previously Filed as Exhibit	Date Previously Filed
1.1	Engagement Agreement, dated as of January 7, 2014, by and between the Registrant and Chardan Capital Markets LLC	Exhibit 1.1 to the Registrant's Annual Report on Form 10-K filed on January 10, 2014	1/10/14
3.1	Amended and Restated Articles of Incorporation	Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 15, 2007	8/15/07
3.1.1	Certificate of Change	Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on September 7, 2010	9/7/10
3.1.2	Certificate of Correction	Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on March 11, 2013	3/11/13
3.1.3	Certificate of Change	Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 14, 2014	2/14/14
3.2	Amended and Restated Bylaws	Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 15, 2011	12/15/11
10.1*	LiveDeal, Inc. Amended and Restated 2003 Stock Plan*	Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007	12/20/07
10.1.1*	First Amendment to Amended and Restated 2003 Stock Plan*	Appendix A to 2009 Proxy Statement	1/29/09
10.1.2*	Second Amendment to the LiveDeal, Inc. Amended and Restated 2003 Stock Plan*	Appendix A to 2012 Proxy Statement	1/27/12
10.2*	Form of 2003 Stock Plan Restricted Stock Agreement*	Exhibit 10 to the Registrant's Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2005	5/16/05
10.3*	Form of 2003 Stock Plan Stock Option Agreement*	Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2008	12/29/08
10.5	Note and Warrant Purchase Agreement, dated April 3, 2012, by and between the Registrant and Isaac Capital Group LLC	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on May 15, 2012	5/15/12
10.5.1	First Amendment to Note Purchase Agreement, made and entered into as of April 3, 2012, by and between the Registrant and Isaac Capital Group LLC	Exhibit 10.12.1 to the Registrant's Annual Report on Form 10-K filed on January 15, 2013	1/15/13
10.5.2	Senior Subordinated Convertible Note (under Note Purchase Agreement)	Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on May 15, 2012	5/15/12
10.5.3	Subordinated Guaranty (under Note Purchase Agreement)	Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on May 15, 2012	5/15/12
10.5.4	Form of Warrant (under Note Purchase Agreement)	Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed on May 15, 2012	5/15/12
10.6*	Employment Agreement, dated January 1, 2013, by and between the Registrant and Jon Isaac	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on May 14, 2013	5/14/13
10.7	Asset Purchase Agreement, dated September 9, 2013, by and between the Registrant and Novalk Apps S.A.S.	Exhibit 10.9 to the Registrant's Annual Report on Form 10-K filed on January 10, 2014	1/10/14

10.8	Note Purchase Agreement, dated as of January 7, 2014, by and between the Registrant and Kingston Diversified Holdings LLC	Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed on January 10, 2014	1/10/14
10.9	Convertible Note (under 2014 Note Purchase Agreement)	Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed on January 10, 2014	1/10/14
10.10	Form of Warrant (under 2014 Note Purchase Agreement)	Exhibit 10.12 to the Registrant's Annual Report on Form 10-K filed on January 10, 2014	1/10/14
10.11*	2014 Omnibus Equity Incentive Plan	Appendix A to 2014 Proxy Statement	
10.12	Share Purchase Agreement, by and among Live Goods, LLC, DealTicker Inc., from Julian Gleizer and Daniel Abramov	Filed herewith	
10.13	Stock Purchase Agreement, by and among the Registrant, Modern Everyday Inc., & Byron Hsu, dated August 24, 2014	Exhibit 99.1 to the Current Report on Form 8-K filed on August 24, 2014	8/24/14
10.14	Engagement Agreement, dated as of May 16, 2014, by and between the Registrant and Chardan Capital Markets LLC	Exhibit 10.1 to the Registrant's Annual Report on Form 10-Q filed on May 20, 2014	5/20/14
14	Code of Business Conduct and Ethics, Adopted December 31, 2003	Exhibit 14 to the Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2004	5/13/04
23.1	Consent of Kabani & Company, Inc.	Filed herewith	
23.2	Consent of Anton & Chia, LLP	Filed herewith	
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	
32	Certification pursuant to 18 U.S.C. Section 1350	Filed herewith	
101†	The following materials from the Company's Annual Report on Form 10-K, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of September 30, 2014 and 2013, (ii) the Consolidated Statements of Operations for the Years Ended September 30, 2014 and 2013, (iii) Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the Years Ended September 30, 2014 and 2013, and (v) the Notes to Consolidated Financial Statements	Filed herewith	

* Management contract or compensatory plan or arrangement

† Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

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

Dated: December 29, 2014

LiveDeal, Inc.

/s/ Jon Isaac

Jon Isaac

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Jon Isaac</u> Jon Isaac	Chief Executive Officer, President and Chief Financial and Accounting Officer (Principal Executive Officer and Principal Financial and Accounting Officer) and Director	December 29, 2014
<u>/s/ Tony Isaac</u> Tony Isaac	Financial Planning and Strategist/Economist and Director	December 29, 2014
<u>/s/ Richard D. Butler, Jr.</u> Richard D. Butler, Jr.	Director	December 29, 2014
<u>/s/ Dennis Gao</u> Dennis Gao	Director	December 29, 2014
<u>/s/ Tyler Sickmeyer</u> Tyler Sickmeyer	Director	December 29, 2014

SHARE PURCHASE AGREEMENT

THIS AGREEMENT is dated as of May 5th, 2014

BETWEEN:

JULIAN GLEIZER, an individual residing in the
City of Thornhill, in the Province of Ontario

("Julian")

-and-

DANIEL ABRAMOV, an individual residing in
the City of Thornhill, in the Province of Ontario

("Daniel")

(Julian and Daniel are each a "Seller" and collectively, the "Sellers")

-and-

LIVE GOODS, LLC, a corporation incorporated under the laws of Delaware

(the "Buyer")

CONTEXT:

- A. DealTicker Inc. ("**DealTicker**" or the "**Corporation**") is a corporation existing under the laws of Canada.
- B. The Sellers are the owner of all of the issued and outstanding shares in the capital of Deal Ticker.
- C. The Sellers want to sell to the Buyer and the Buyer wants to purchase from the Sellers all of the issued and outstanding shares in the capital of DealTicker.

THEREFORE, the Parties agree as follows:

ARTICLE I INTERPRETATION

1.1 Definitions

In this Agreement, in addition to the terms defined elsewhere, the following terms have the following meanings:

- 1.1.1 "**Affiliate**" means an affiliate as that term is defined in the *Canada Business Corporations Act*.
- 1.1.2 "**Agreement**" means this agreement, including all Schedules and Exhibits, as it may be confirmed, amended, modified, supplemented or restated by written agreement between the Parties.
- 1.1.3 "**Books and Records**" means books, ledgers, files, lists, reports, plans, logs, deeds, surveys, correspondence, operating records, Tax Returns and other data and information, including all data and information stored on computer-related or other electronic media, maintained with respect to the Business, DealTicker and the Subsidiaries.
- 1.1.4 "**Business**" means the business carried on by DealTicker and each of the Subsidiaries of performance-based marketing, online retail sales and group purchasing.
- 1.1.5 "**Business Day**" means any day excluding a Saturday, Sunday or statutory holiday in the Provinces of Ontario, and also excluding any day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.
- 1.1.6 "**Buyer**" is defined in the recital of the Parties above.
- 1.1.7 "**Cash**" means the aggregate sum of DealTicker's and each Subsidiary's cash and cash equivalents.
- 1.1.8 "**Claim**" means any claim, demand, action, cause of action, suit, arbitration, investigation, proceeding, complaint, grievance, charge, prosecution, assessment or reassessment, including any appeal or application for review.
- 1.1.9 "**Closing**" means the completion of the sale to and purchase by the Buyer of the Purchased Shares pursuant to Agreement.
- 1.1.10 "**Closing Date**" means May 5th, 2014 or any other date that the Parties may agree is the date upon which the Closing will take place.
- 1.1.11 "**Closing Payment**" is defined in Section 2.2.

- 1.1.12 "**Communication**" means any notice, demand, request, consent, approval or other communication which is required or permitted by this Agreement to be given or made by a Party.
- 1.1.13 "**Confidential Information**" means any information relating to any of DealTicker or Subsidiaries or the Business of any of them.
- 1.1.14 "**Contract**" means any agreement, understanding, undertaking, commitment, licence, or Lease, whether written or oral.
- 1.1.15 "**Corporate Articles**" means the certificate and articles of incorporation of DealTicker dated June 23, 2010 and the certificates and articles of amendment of DealTicker dated February 7, 2012 and the certificate and articles of incorporation of 8497940 Canada Inc. dated April 17, 2013 and the certificate and articles of incorporation of 8047766 Canada Inc. dated December 7, 2011.
- 1.1.16 "**Deferred Revenue**" means all unearned revenue of DealTicker or any Subsidiary as at the Closing Date including without limitation the unused balance on vouchers issued by DealTicker or any Subsidiary on or prior to the Closing Date.
- 1.1.17 "**Direct Claim**" is defined in Section 7.5.
- 1.1.18 "**Disclosure Schedule**" is defined at Article 3.
- 1.1.19 "**Employees**" means all personnel and independent contractors employed, engaged or retained by DealTicker or any Subsidiary in connection with its Business, including any that are on medical or long-term disability leave, or other statutory or authorized leave or absence.
- 1.1.20 "**Encumbrance**" means any security interest, mortgage, charge, pledge, hypothec, lien, encumbrance, restriction, option, adverse claim, right of others or other encumbrance of any kind.
- 1.1.21 "**Financial Statements**" means:
- 1.1.21.1 the unaudited balance sheet and unaudited statement of income of DealTicker for the period ended November 30, 2013;
 - 1.1.21.2 the unaudited balance sheet and unaudited statement of income of 8497940 Canada Inc. for the period ended November 30, 2013;
 - 1.1.21.3 the unaudited balance sheet and unaudited statement of income of 8047766 Canada Inc. for the period ended November 30, 2013;
- 1.1.22 "**Governmental Authority**" means:
- 1.1.22.1 any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and

- 1.1.22.2 any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.
- 1.1.23 "**Indemnified Party**" is defined in Section 7.3.
- 1.1.24 "**Indemnity Claim**" is defined in Section 7.5.
- 1.1.25 "**Indemnity Notice**" is defined in Section 7.5.
- 1.1.26 "**Insurance Policies**" means the insurance policies maintained by DealTicker and each Subsidiary with respect to its Business.
- 1.1.27 "**Intellectual Property**" means any and all intellectual property rights, including but not limited to copyright and trademark rights, trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights.
- 1.1.28 "**Inventories**" means all inventories of every nature and kind owned by DealTicker and each Subsidiary and pertaining to its Business.
- 1.1.29 "**Investment Canada Act**" means the *Investment Canada Act* (Canada). "ITA" means the *Income Tax Act* (Canada).
- 1.1.31 "**Key Employees**" means Daniel Abramov and Julian Gleizer.
- 1.1.32 "**Knowledge of the Sellers**" means the knowledge that the Sellers either have, or would have obtained, after having made or caused to be made all reasonable inquiries necessary to obtain informed knowledge, including inquiries of the records and management Employees of DealTicker and the Subsidiaries who are reasonably likely to have knowledge of the relevant matter.
- 1.1.33 "**Law**" or "**Laws**" means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, statutory rules, principles of law, published policies and guidelines, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and the terms and conditions of any grant of approval, permission, authority or licence of any Governmental Authority, and the term "applicable" with respect to Laws and in a context that refers to one or more Persons, means that the Laws apply to the Person or Persons, or its or their business, undertaking, property or Securities, and emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their business, undertaking, property or Securities.

- 1.1.34 **"Leased Premises"** means all of the lands and premises which are leased by DealTicker or any Subsidiary.
- 1.1.35 **"Leases"** means the leases relating to DealTicker's and each Subsidiary's Business other than the Real Property Leases.
- 1.1.36 **"Letter of Intent"** means the non-binding letter of intent dated March 28, 2014 between the Parties.
- 1.1.37 **"Loss"** means any loss, liability, damage, cost, expense, charge, fine, penalty or assessment including the costs and expenses of any action, suit, proceeding, demand, assessment, judgment, settlement or compromise and all interest, fines, penalties and reasonable professional fees and disbursements.
- 1.1.38 **"Material Adverse Effect"** means a material adverse effect on the Business or financial position, condition, assets or properties of DealTicker and the Subsidiaries, taken as a whole, the knowledge of which would persuade the Buyer that the value of the Purchased Shares is lower than the Purchase Price.
- 1.1.39 **"Net Names"** means all rights in internet websites, internet domain names, internet keywords, and Facebook, LinkedIn, Twitter and other social media accounts held by DealTicker or any of its Subsidiaries.
- 1.1.40 **"Parties"** means the Sellers and the Buyer, collectively, and **"Party"** means either of them.
- 1.1.41 **"Permits"** means the authorizations, registrations, permits, certificates of approval, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to the Intellectual Property) issued or granted by any Governmental Authority to DealTicker or any Subsidiary.
- 1.1.42 **"Person"** will be broadly interpreted and includes:
- 1.1.42.1 a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person;
 - 1.1.42.2 a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and

- 1.1.42.3 a Governmental Authority.
- 1.1.43 "**Personal Information**" means information about an individual who can be identified by the Person who holds that information.
- 1.1.44 "**Plans**" means all plans that provide pension benefits for the benefit of Employees or former Employees, and their respective beneficiaries, and all Employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, change of control, compensation, retirement, salary continuation, stock option, stock purchase, stock appreciation, health, welfare, medical, dental, accident, disability, life insurance and other plans, arrangements, agreements, programs, policies, practices or undertakings, whether oral or written, funded or unfunded, registered or unregistered, insured or self-insured:
- 1.1.44.1 that are sponsored or maintained or funded, in whole or in part, by DealTicker or any Subsidiary, or to which DealTicker or any Subsidiary contributes or is obligated to contribute for the benefit of Employees or former Employees, and their respective beneficiaries; or
- 1.1.44.2 under which DealTicker or any Subsidiary has any liability or contingent liability.
- 1.1.45 "**Privacy Laws**" means any Laws that regulate the collection, use or disclosure of Personal Information.
- 1.1.46 "**Purchase Price**" is defined in Section 2.2.
- 1.1.47 "**Purchased Shares**" means all of the issued and outstanding shares in the capital of DealTicker.
- 1.1.48 "**Real Property Leases**" means the leases between DealTicker or a Subsidiary, as tenant, and the applicable landlords, and all amendments to those leases, relating to the leasing by DealTicker or the Subsidiaries of the Leased Premises.
- 1.1.49 "**Representatives**" means the advisors, agents, consultants, directors, officers, management, employees, subcontractors, and other representatives, including accountants, auditors, financial advisors, lenders and lawyers of any Person.
- 1.1.50 "**Securities**" has the meaning given to that term in the *Securities Act* (Ontario).
- 1.1.51 "**Sellers**" is defined in the recital of the Parties above.
- 1.1.52 "**Shareholder Agreement**" means the shareholder agreement dated May 28, 2012 between Julian, Daniel and DealTicker.

- 1.1.53 "**Subsidiaries**" means 8497940 Canada Inc. and 8047766 Canada Inc., collectively, and "**Subsidiary**" means any one of them.
- 1.1.54 "**Tax**" means all taxes, duties, fees, premiums, assessments, imposts, levies, rates, withholdings, dues, government contributions and other charges of any kind whatsoever, whether direct or indirect, together with all interest, penalties, fines, additions to tax or other additional amounts, imposed by any Governmental Authority.
- 1.1.55 "**Tax Law**" means any Law that imposes Taxes or that deals with the administration or enforcement of liabilities for Taxes.
- 1.1.56 "**Tax Return**" means any return, report, declaration, designation, election, undertaking, waiver, notice, filing, information return, statement, form, certificate or any other document or materials relating to Taxes, including any related or supporting information with respect to any of those documents or materials listed above in this Section 1.1.56, filed or to be filed with any Governmental Authority in connection with the determination, assessment, collection or administration of Taxes.
- 1.1.57 "**Third Party Claim**" is defined in Section 7.5.

1.2 Certain Rules of Interpretation

- 1.2.1 In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words "including" or "includes" in this Agreement is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively.
- 1.2.2 The division of this Agreement into Articles and Sections, the insertion of headings and the inclusion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- 1.2.3 Wherever in this Agreement reference is made to a calculation to be made in accordance with GAAP, the reference is to Canadian generally accepted accounting principles applicable to private enterprises under Part II of the CPA Canada Handbook of the Chartered Professional Accountants of Canada, as amended at any time, applicable as at the date on which the calculation is made or required to be made in accordance with GAAP.
- 1.2.4 References in this Agreement to an Article, Section, Schedule or Exhibit are to be construed as references to an Article, Section, Schedule or Exhibit of or to this Agreement unless otherwise specified.
- 1.2.5 Unless otherwise specified in this Agreement, time periods within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.

1.2.6 Unless otherwise specified, any reference in this Agreement to any statute includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time.

1.3 Governing Law

This Agreement is governed by, and is to be construed and interpreted in accordance with, the Laws of the Province of Ontario and the Laws of Canada applicable in that Province.

1.4 Entire Agreement

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no representations, warranties or other agreements between the Parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement. No Party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement.

1.5 Schedules and Exhibits

The following is a list of Schedules and Exhibits:

Schedule	Subject Matter
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3	Disclosure Schedule
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Exhibit	Subject Matter
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1	Resolution of Earn Out Disputes
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6.1.4.1	Form of Non-Competition Agreement
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**ARTICLE 2
PURCHASE AND SALE**

2.1 Agreement of Purchase and Sale

Subject to the terms and conditions of this Agreement, on the Closing Date the Sellers will sell, and the Buyer will purchase, the Purchased Shares for the consideration specified below in this Article 2.

2.2 Purchase Price

The aggregate purchase price payable by the Buyer to the Sellers for the Purchased Shares (the "**Purchase Price**") shall be Two Hundred Forty Six Thousand Dollars (\$246,000.00) subject to adjustment in accordance with Section 2.4.

2.3 Payment of Purchase Price

The Buyer will pay and satisfy the Purchase Price on the Closing Date by delivering to the Sellers, or as the Sellers direct, a certified cheque or bank draft, or will effect a wire transfer of immediately available funds to an account designated in writing by the Sellers. For greater certainty, the Purchase Price shall be payable as 51% to Julian and 49% to Daniel.

2.4 Discretionary Earn Out

Following the first anniversary of the Closing Date, the Buyer may, in its absolute discretion, increase the Purchase Price for the Purchased Shares taking into account the financial performance and operation of the Business during the one year period following the Closing Date compared to the historical performance and operation of the Business (an "**Earn Out**"). In the event the Buyer determines that an Earn Out has been earned, the Purchase Price shall be increased accordingly and paid to the Sellers.

**ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE SELLERS**

The Sellers, jointly and severally, represent and warrant to the Buyer as follows, and acknowledges that the Buyer is relying upon these representations and warranties in connection with the purchase of the Purchased Shares, despite any investigation made by or on behalf of the Buyer. Any statement in this Agreement that is not expressly qualified by a reference to an exception in the Disclosure Schedule will prevail, despite anything to the contrary that is disclosed in the Disclosure Schedule.

3.1 Binding Obligation

This Agreement has been duly executed and delivered by the Sellers and constitutes a valid and binding obligation of the Sellers, enforceable against the Sellers in accordance with its terms, subject to applicable bankruptcy, insolvency and other Laws of general application limiting the enforcement of creditors' rights generally and to the fact that equitable remedies, including specific performance, are discretionary and may not be ordered in respect of certain defaults.

3.2 Absence of Conflict

None of the execution and delivery of this Agreement, the performance of the Sellers' obligations under this Agreement, or the completion of the transactions contemplated by this Agreement will:

- 3.2.1 result in or constitute a breach of any term or provision of, or constitute a default under, the Corporate Articles or the by-laws of DealTicker or any Subsidiary, the Shareholder Agreement, or any Contract to which the Sellers, DealTicker or Subsidiary is a party or by which the Purchased Shares are bound;
- 3.2.2 constitute an event which would permit any party to any Contract with DealTicker or any of the Subsidiaries to amend, cancel, terminate or sue for damages with respect to that Contract, or to accelerate the maturity of any indebtedness of DealTicker or any of the Subsidiaries, or other obligation of DealTicker or any of the Subsidiaries under that Contract; or
- 3.2.3 result in the creation or imposition of any Encumbrance on the Purchased Shares;
- 3.2.4 contravene any applicable Law; or
- 3.2.5 contravene any judgment, order, writ, injunction or decree of any Governmental Authority.

3.3 Restrictive Covenants

Neither DealTicker nor any Subsidiary is a party to, or bound or affected by, any Contract containing any covenant expressly limiting its ability to compete in any line of business, or transfer or move any of its assets or operations, or which could reasonably be expected to have a Material Adverse Effect on its Business.

3.4 Title to Purchased Shares

The Sellers are the legal and beneficial owner of the Purchased Shares and have good title to them, free and clear of any Encumbrance. At Closing, the Sellers will have the absolute and exclusive right to sell the Purchased Shares to the Buyer as contemplated by this Agreement.

3.5 Regulatory Approvals

No authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of the Sellers, DealTicker or any Subsidiary in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered under this Agreement.

3.6 Consents

Except as disclosed in the Disclosure Schedule, there is no requirement to obtain any consent, approval or waiver of a party under any Contract to which the Sellers, DealTicker or any Subsidiary is a party in order to complete the transactions contemplated by this Agreement.

3.7 Subsidiaries and Investments

DealTicker has no subsidiaries other than the Subsidiaries. Except as disclosed in the Disclosure Schedule, neither DealTicker nor any Subsidiary owns or holds, directly or indirectly, any Securities of, or has any other interest in, any Person and neither DealTicker nor any Subsidiary has entered into any agreement to acquire any such interest.

3.8 Corporate Existence of DealTicker and Subsidiaries

DealTicker and each Subsidiary have been duly incorporated and organized, and are validly existing and in good standing as corporations under the *Canada Business Corporation Act*. No proceedings have been taken or authorized by DealTicker or any of the Subsidiaries in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of DealTicker or any of the Subsidiaries.

3.9 Corporate Articles

The Corporate Articles constitute all of the charter documents of DealTicker and each Subsidiary and are in full force and effect; no action has been taken to further amend the Corporate Articles and no changes to the Corporate Articles are planned.

3.10 Capacity and Powers of DealTicker and Subsidiaries

DealTicker and each Subsidiary has all necessary corporate power, authority and capacity to own or lease its respective assets and to carry on its Business as currently being conducted.

3.11 Jurisdictions

The Disclosure Schedule lists every jurisdiction in which DealTicker and each Subsidiary is qualified to do business. Neither the character nor location of the Leased Premises, nor the nature of the Business conducted by DealTicker or any of the Subsidiaries, requires qualification to do business in any other jurisdiction.

3.12 Authorized and Issued Capital

- 3.12.1 The authorized capital of DealTicker consists of an unlimited number of non-voting Class A shares, an unlimited number of voting Class B shares and an unlimited number of Common shares of which one hundred (100) Common shares are or will be issued and outstanding as at Closing as fully paid shares and are or will be legally and beneficially owned by the Sellers.
- 3.12.2 The authorized capital of 8497940 Ontario Inc. consists of an unlimited number of voting Class A shares and an unlimited number of non-voting Class B shares, of which one hundred (100) Class A shares are issued and outstanding as fully paid shares and are legally and beneficially owned by DealTicker with good title, free and clear of any Encumbrance.
- 3.12.3 The authorized capital of 8047766 Canada Inc. consists of an unlimited number of Common shares, of which one hundred (100) Common shares are issued and outstanding as fully paid shares and are legally and beneficially owned by DealTicker with good title, free and clear of any Encumbrance.

3.13 Options

- 3.13.1 Except as disclosed in the Disclosure Schedule, no Person has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, including Securities, warrants or convertible obligations of any nature, for:
 - 3.13.1.1 the purchase of any Securities of DealTicker or any of the Subsidiaries; or
 - 3.13.1.2 the purchase of any of the assets of DealTicker or any of the Subsidiaries other than in the ordinary course of its Business.

3.14 Corporate Records

The corporate records and minute books of DealTicker and each Subsidiary contain complete and accurate minutes of all meetings of, and all written resolutions passed by, the directors and shareholders of DealTicker and the Subsidiaries, held or passed since incorporation. All those meetings were held, all those resolutions were passed, and the share certificate books, registers of shareholders, registers of transfers and registers of directors of DealTicker and each of the Subsidiaries are complete and accurate in all respects.

3.15 Books and Records

The Books and Records fairly and correctly set out and disclose in accordance with GAAP the financial position of DealTicker and the Subsidiaries, and all material financial transactions of DealTicker and the Subsidiaries have been accurately recorded in the Books and Records.

3.16 Financial Statements

Copies of the Financial Statements are attached in the Disclosure Schedule. The Financial Statements have been prepared in accordance with GAAP and present fairly:

- 3.16.1 the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial condition of DealTicker and the Subsidiaries, as the case may be, as at the respective dates of the Financial Statements; and
- 3.16.2 the sales, earnings and results of the operations of DealTicker and the Subsidiaries during the periods covered by the Financial Statements.

3.17 Tax Matters

Each of DealTicker and the Subsidiaries has filed all Tax Returns, has paid all Taxes, and has deducted, withheld or collected, and remitted, all amounts to be deducted, withheld, collected or remitted, with respect to any Taxes, as required under all applicable Tax Laws. Neither DealTicker nor any Subsidiary has any outstanding liability, obligation or commitment for the payment of any Taxes, except as reflected in the Financial Statements or which relate to Taxes not yet due which have arisen in the usual and ordinary course of its Business since the end of the most recent financial period addressed in the Financial Statements and for which adequate provision in the accounts of DealTicker or the relevant Subsidiary has been made. There are no Claims in progress or pending, or, to the Knowledge of the Sellers, threatened against DealTicker or any Subsidiary, in connection with any Taxes, and neither DealTicker nor any Subsidiary has filed any waiver for any taxation year under any applicable Tax Law.

3.18 Absence of Changes

Except as disclosed in the Disclosure Schedule, since November 30, 2013, there has not been:

- 3.18.1 any change in the financial condition, operations, results of operations, or business of DealTicker or any of the Subsidiaries, nor has there been any occurrence or circumstances which with the passage of time might reasonably be expected to have a Material Adverse Effect; or
- 3.18.2 any Loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by DealTicker or any Subsidiary which has had, or may reasonably be expected to have, a Material Adverse Effect.

3.19 Absence of Liabilities

Except as disclosed in the Disclosure Schedule, at Closing, neither DealTicker nor any Subsidiary will have any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt).

3.20 Absence of Unusual Transactions

Except as disclosed in the Disclosure Schedule, since November 30, 2013 neither DealTicker nor any Subsidiary has:

- 3.20.1 given any guarantee of any debt, liability or obligation of any Person;
- 3.20.2 subjected any of its assets, or permitted any of its assets to be subjected, to any Encumbrance;
- 3.20.3 acquired, sold, leased or otherwise disposed of or transferred any assets other than in the ordinary course of its Business;
- 3.20.4 made or committed to any capital expenditures, except in the ordinary course of its Business;
- 3.20.5 declared or paid any dividend or otherwise made any distribution or other payment of any kind or nature to any of its shareholders or any other Person, or taken any corporate proceedings for that purpose;
- 3.20.6 redeemed, purchased or otherwise retired any of its shares or otherwise reduced its stated capital;
- 3.20.7 entered into or become bound by any Contract, except in the ordinary course of its Business;
- 3.20.8 modified, amended or terminated any Contract (except for Contracts which expire by the passage of time) resulting in a Material Adverse Effect;
- 3.20.9 waived or released any right or rights which it has or had, or a debt or debts owed to it resulting, collectively or individually, in a Material Adverse Effect;
- 3.20.10 made any change in any compensation arrangement or agreement with any Employee, officer, director or shareholder of DealTicker or any of the Subsidiaries;
- 3.20.11 made any change in any method of accounting or auditing practice; or
- 3.20.12 agreed or offered to do any of the things described in this Section 3.20.

3.21 Title to Assets

Each of DealTicker and the Subsidiaries owns, possesses and has good and marketable title to all of its undertakings, property and assets not otherwise the subject of specific representations and warranties in this Article 3, including all the undertakings, property and assets reflected in the most recent balance sheet included in the Financial Statements, free and clear of all Encumbrances. The undertakings, property and assets of DealTicker and each Subsidiary comprise all of the undertakings, property and assets necessary for each to carry on its Business as it is currently operated.

3.22 Real Property

The Disclosure Schedule contains a complete and accurate list of the Leased Premises. The buildings and other structures forming part of the Leased Premises, and their operation and maintenance, comply with all applicable Laws, and none of those buildings or structures encroaches upon any land not owned or leased by DealTicker or a Subsidiary. There are no restrictive covenants or Laws which in any way restrict or prohibit any part of the present use of the Leased Premises, other than the Permitted Encumbrances. There are no expropriation or similar proceedings, actual or threatened, of which DealTicker, any Subsidiary, or the Sellers have received notice against any of the Leased Premises.

3.23 Intellectual Property

The Disclosure Schedule includes a list of all Intellectual Property that is used in connection with the conduct of the Business of DealTicker and each Subsidiary, including all trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights, the jurisdictions (if any) in which that Intellectual Property is registered (or in which application for registration has been made) and the applicable expiry dates of all listed registrations. All necessary legal steps have been taken by DealTicker and the Subsidiaries to preserve their rights to the Intellectual Property listed in the Disclosure Schedule. The Disclosure Schedule also includes a list of all licence agreements pursuant to which DealTicker or any Subsidiary has been granted a right to use, or otherwise exploit Intellectual Property owned by third parties. The Intellectual Property that is owned by DealTicker or any Subsidiary is owned free and clear of any Encumbrances and no Person other than DealTicker or a Subsidiary has any right to use that Intellectual Property except as disclosed in the Disclosure Schedule. The use by DealTicker and each Subsidiary of any Intellectual Property owned by third parties is valid, and neither DealTicker nor any Subsidiary is in default or breach of any licence agreement relating to that Intellectual Property, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach. The conduct by DealTicker and each Subsidiary of its Business does not infringe the Intellectual Property of any Person.

3.24 Net Names

- 3.24.1 The Disclosure Schedule lists all Net Names, including which of DealTicker or any of its Subsidiaries owns or uses each of those Net Names.
- 3.24.2 All Net Names have been registered in the name of DealTicker or a Subsidiary, as applicable, and are in compliance with all applicable Laws.
- 3.24.3 No Net Name has been or is involved in any dispute, opposition, invalidation, or cancellation proceeding and, to the Knowledge of the Seller, no such proceeding is threatened.
- 3.24.4 To the Knowledge of the Seller, there is no domain name application pending of any other Person which would or would potentially interfere with or infringe any Net Name.
- 3.24.5 No Net Name is or has been infringed or has been challenged and, to the Knowledge of the Seller, no such challenge is threatened. No Net Name infringes or is alleged to infringe the trademark, copyright, or domain name of any other Person.

3.25 Accounts Receivable

All accounts receivable of DealTicker and each Subsidiary reflected in the Financial Statements, or which have come into existence since the date of the most recent Financial Statements, were created in the ordinary and customary course of its Business from bona fide arm's length transactions, and, except to the extent that they have been paid in the ordinary course of its Business since the date of the Financial Statements, are valid and enforceable and payable in full, without any right of set-off or counterclaim or any reduction for any credit or allowance made or given, except to the extent of the allowance for doubtful accounts reflected in the Financial Statements and, in the case of accounts receivable which have come into existence since the date of the most recent Financial Statements, of a reasonable allowance for doubtful accounts, which allowances are, and will as of the Closing Date be, adequate and calculated in a manner consistent with DealTicker's and each Subsidiary's previous accounting practice.

3.26 Deferred Revenue and Cash

The Disclosure Schedule contains a complete list of all Deferred Revenue as of the date of this Agreement. The Deferred Revenue will not exceed \$60,000 at Closing and there shall be a minimum of \$146,250 in Cash in the Corporation's accounts.

3.27 Inventories

- 3.27.1 The Inventories have been accumulated by DealTicker and each Subsidiary for use or sale in the ordinary course of its Business, and are in good and marketable condition.
- 3.27.2 The present levels of the Inventories are consistent with the levels of inventories that have been maintained by DealTicker and each Subsidiary before the date of this Agreement in the normal course of its Business in light of seasonal adjustments, market fluctuations and the requirements of customers of its Business. Notwithstanding the foregoing, the value of the Inventory at Closing, calculated at cost, will not be less than \$49,750.

3.28 Contracts

The Disclosure Schedule contains a list of all Contracts to which DealTicker and each Subsidiary is a party or bound. Except as disclosed in the Disclosure Schedule, neither DealTicker nor any Subsidiary is in default or breach of any Contract, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach. No counterparty to any Contract is in default of any of its obligations under any Contract, DealTicker and each Subsidiary, as applicable, is entitled to all benefits under each Contract, and neither DealTicker nor any Subsidiary has received any notice of termination of any Contract.

3.29 Accounts and Powers of Attorney

The Disclosure Schedule lists:

- 3.29.1 the name of each bank or other depository in which DealTicker and each Subsidiary maintains any bank account, trust account or safety deposit box and the names of all individuals authorized to draw on them or who have access to them; and
- 3.29.2 the name of each Person holding a general or special power of attorney from DealTicker or any Subsidiary and a summary of its terms.

3.30 Compliance with Laws, Permits

- 3.30.1 Each of DealTicker and the Subsidiaries is conducting its Business in material compliance with all applicable Laws.
- 3.30.2 All Permits are listed in the Disclosure Schedule. The Permits are the only authorizations, registrations, permits, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to Intellectual Property) required to enable DealTicker and each Subsidiary to carry on its Business as currently conducted and to enable each to own, lease and operate its assets. All Permits are valid, subsisting, in full force and effect and unamended, and neither DealTicker nor any Subsidiary is in default or breach of any Permit; no proceeding is pending or, to the Knowledge of the Sellers, threatened to revoke or limit any Permit, and the completion of the transactions contemplated by this Agreement will not result in the revocation of any Permit or the breach of any term, provision, condition or limitation affecting the ongoing validity of any Permit.

3.31 Suppliers

The Sellers will provide all information and lists of suppliers of goods and services from whom DealTicker or any Subsidiary has purchased goods or services since the incorporation of DealTicker. To the Knowledge of the Sellers, none of the suppliers has advised the Sellers, DealTicker, or any Subsidiary, either orally or in writing, that it is terminating or considering terminating any ongoing relationship with any of them, or considering negotiating its relationship with any of them on terms different from and less attractive than those which currently bind them at law, whether as a result of the completion of the transactions contemplated by this Agreement or otherwise.

3.32 Rights to Use Personal Information

- 3.32.1 All Personal Information in the possession of DealTicker and each Subsidiary has been collected, used and disclosed in compliance with all applicable Privacy Laws in those jurisdictions in which DealTicker and each Subsidiary conducts, or is deemed by operation of law in those jurisdictions to conduct, its Business.
- 3.32.2 The Sellers have disclosed to the Buyer all Contracts and facts concerning the collection, use, retention, destruction and disclosure of Personal Information, and there are no other Contracts, or facts which, on completion of the transactions contemplated by this Agreement, would restrict or interfere with the use of any Personal Information by DealTicker or any Subsidiary in the continued operation of its Business as conducted before the Closing.
- 3.32.3 Except as disclosed in the Disclosure Schedule, there are no Claims pending or, to the Knowledge of the Sellers, threatened, with respect to DealTicker's or any Subsidiary's collection, use or disclosure of Personal Information.

3.33 Product Warranties

The Disclosure Schedule lists all warranties given to buyers of products or services supplied by DealTicker or any Subsidiary. Except as disclosed in the Disclosure Schedule, there are no Claims against DealTicker or any Subsidiary on account of warranties or with respect to the production or sale of defective or inferior products or the provision of services, nor is there any basis for any liability to, Claim against, or Loss on the part of, DealTicker or any Subsidiary arising from, relating to, or in connection with the production or sale of the products or the provision of services before the date of this Agreement.

3.34 Employees and Employment Contracts

- 3.34.1 The Disclosure Schedule lists the names, titles and status (active or non-active, and if not active, reason why and period of time not active) of all Employees, together with particulars of the material terms and conditions of their employment or engagement, including current rates of remuneration, perquisites, commissions, bonus or other incentive compensation (monetary or otherwise), most recent hire date, cumulative years of service, start and end dates of all previous periods of service, benefits, vacation or personal time off entitlements, current positions held and, if available, projected rates of remuneration. Any options held by any Employees to purchase Securities of DealTicker or any Subsidiary are listed in the Disclosure Schedule.

- 3.34.2 To the Knowledge of the Sellers, no Employee, nor any consultant with whom DealTicker or any Subsidiary has contracted, is in violation of any term of any employment contract, contract of engagement, services agreement, proprietary information agreement or any other agreement relating to the right of that individual to be employed, engaged or retained by DealTicker or any Subsidiary, and the continued employment or engagement by DealTicker or any Subsidiary of their current Employees will not result in any violation. Neither DealTicker nor any Subsidiary has received any notice alleging that any violation has occurred.
- 3.34.3 True and complete copies of any employment agreements, contracts of engagement or services agreements listed in the Disclosure Schedule have been provided to the Buyer. No officer or Key Employee has given notice, oral or written, of an intention to cease being employed with DealTicker or any of the Subsidiaries, and neither DealTicker nor any Subsidiary intends to terminate the employment of any officer, or Key Employee.
- 3.34.4 Except as disclosed in the Disclosure Schedule, there are no employment Law related Claims, or outstanding orders, awards, rulings or, to the Knowledge of the Sellers, discussions relating to the Business of DealTicker or any Subsidiary, pending or threatened, which have resulted in or might reasonably be expected to result in a Material Adverse Effect.

3.35 Employee Confidentiality Agreements

DealTicker and the Subsidiaries, as applicable, have entered into enforceable confidentiality agreements with all relevant Employees, true and complete copies of which have been provided to the Buyer, that protect the Confidential Information and the Intellectual Property of DealTicker, the Subsidiaries and third party licensors.

3.36 Pension and Benefit Plans

Neither DealTicker nor any Subsidiary is a party to or bound by any Plans, other than the Canada Pension Plan, the Ontario Health Insurance Plan and other similar health plans established and administered by any other province, and workplace safety and compensation insurance provided pursuant to applicable Law.

3.37 Insurance Policies

The Disclosure Schedule lists all Insurance Policies, and also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and any pending Claims with respect to each Insurance Policy.

3.38 Litigation

3.38.1 Except as disclosed in the Disclosure Schedule, there are no Claims, whether or not purportedly on behalf of DealTicker or any Subsidiary, pending, commenced, or, to the Knowledge of the Sellers, threatened, which might reasonably be expected to have a Material Adverse Effect or which might involve the possibility of an Encumbrance against the assets of DealTicker or any Subsidiary.

3.38.2 There is no outstanding judgment, decree, order, ruling or injunction involving DealTicker or any Subsidiary or relating in any way to the transactions contemplated by this Agreement.

3.39 No Expropriation

No property or asset of DealTicker or any Subsidiary has been taken or expropriated by any Governmental Authority and no notice or proceeding in respect of any expropriation has been given or commenced or, to the Knowledge of the Sellers, is there any intent or proposal to give any notice or commence any proceeding in respect of any expropriation.

3.40 Disclosure

No representation or warranty or other statement made by the Seller in this Agreement contains any untrue statement or omits to state a material fact necessary to make it, in light of the circumstances in which it was made, not misleading.

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE BUYER**

The Buyer represents and warrants to the Sellers as follows, and acknowledges that the Sellers are relying upon these representations and warranties in connection with the sale of the Purchased Shares, despite any investigation made by or on behalf of the Sellers.

4.1 Corporate Existence of Buyer

The Buyer is a corporation duly incorporated and validly existing under the laws of Delaware.

4.2 Capacity to Enter Agreement

The Buyer has all necessary corporate power, authority and capacity to enter into and perform its obligations under this Agreement.

4.3 Binding Obligation

The execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of the Buyer. This Agreement has been duly executed and delivered by the Buyer and constitutes a valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, subject to applicable bankruptcy, insolvency and other Laws of general application limiting the enforcement of creditors' rights generally and to the fact that equitable remedies, including specific performance, are discretionary and may not be ordered in respect of certain defaults.

4.4 Absence of Conflict

None of the execution and delivery of this Agreement, the performance of the Buyer's obligations under this Agreement, or the completion of the transactions contemplated by this Agreement, will result in or constitute a breach of any term or provision of, or constitute a default under, the articles or by-laws of the Buyer or any agreement or other commitment to which the Buyer is a party.

4.5 Regulatory Approvals

No authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of the Buyer in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered under this Agreement except for filing of a notice under the Investment Canada Act.

ARTICLE 5 COVENANTS

5.1 Conduct of Business Before Closing

During the period beginning on the date of this Agreement and ending at the Closing Date, the Sellers will cause DealTicker and each Subsidiary:

5.1.1 to conduct its Business diligently and prudently and to refrain from entering into any Contract or Real Property Lease except in the ordinary course of its Business, or with the prior written consent of the Buyer;

5.1.2 except as required by applicable Law, or with the prior written consent of the Buyer, to refrain from:

5.1.2.1 hiring, engaging or retaining any new employees or independent contractors to be employed, engaged or retained in connection with the Business;

- 5.1.2.2 terminating any Employees or transferring any Employees to any other position;
- 5.1.2.3 increasing remuneration of Employees before the Closing Date;
- 5.1.2.4 taking any action to materially increase the aggregate benefits payable to Employees (including granting or modifying any bonus, change of control or termination arrangements, whether monetary or otherwise); or
- 5.1.2.5 taking any action to materially amend any Contract with any Employee;
- 5.1.3 to continue in full force the Insurance Policies;
- 5.1.4 to comply in all material respects with all Laws applicable to its Business; and
- 5.1.5 to apply for, maintain in good standing and renew all Permits.

5.2 Access for Investigation

- 5.2.1 The Sellers will, and will cause DealTicker and each Subsidiary to, permit the Buyer through its authorized Representatives, until the Closing Date, to have reasonable access during normal business hours to the Leased Premises and to all the Books and Records of DealTicker and the Subsidiaries and to the properties and assets of DealTicker and the Subsidiaries. The Sellers will also furnish to the Buyer any financial and operating data and other information with respect to DealTicker or any Subsidiary, or the Business of DealTicker or any Subsidiary, as the Buyer reasonably requests to enable confirmation of the accuracy of the matters represented and warranted in Article 3. The Buyer will be provided ample opportunity to make a full investigation of all aspects of the financial affairs of DealTicker and the Subsidiaries.
- 5.2.2 Until the Closing Date, or, in the event of the termination of this Agreement without the completion of the transactions contemplated by this Agreement, indefinitely after this Agreement terminates, the Buyer will, subject to Section 5.2.3, keep confidential and not disclose or use, and the Buyer will not allow any of its Representatives to disclose or use, any Confidential Information, for any purpose, except as contemplated by this Agreement. If this Agreement is terminated, all Confidential Information obtained by the Buyer in connection with this Agreement, including all copies, whether in written form or stored electronically, will be returned to the Sellers, DealTicker and the Subsidiaries promptly after that termination.
- 5.2.3 The obligation of the Buyer under Section 5.2.2 to keep confidential and not disclose or use any Confidential Information does not apply to information which:
 - 5.2.3.1 becomes generally available to the public other than as a result of a disclosure by the Buyer or any Representative of the Buyer in violation of this Agreement;

- 5.2.3.2 was available to the Buyer on a non-confidential basis before its disclosure by the Sellers, any Representative of the Sellers, DealTicker or a Subsidiary, or any Representative of DealTicker or a Subsidiary;
 - 5.2.3.3 becomes available to the Buyer on a non-confidential basis from a source other than the Sellers, any Representative of the Sellers, DealTicker or a Subsidiary, or any Representative of DealTicker or a Subsidiary, if that source is not bound by a confidentiality agreement with the Sellers, DealTicker or a Subsidiary; or
 - 5.2.3.4 the Buyer or any Representative of the Buyer is required by Law to disclose.
- 5.2.4 The Sellers authorizes all Governmental Authorities having jurisdiction to release all information in their possession respecting the Business of DealTicker and each Subsidiary and the Leased Premises to the Buyer, and further authorizes each of them to carry out inspections of the Leased Premises upon the request of the Buyer. The Sellers will execute and cause DealTicker and the Subsidiaries to execute any specific authorization pursuant to this Section 5.2.4 within three Business Days after being requested to do so by the Buyer.
- 5.2.5 The collection, use and disclosure of Personal Information by any of the Parties before the Closing is restricted to those purposes that relate to the transactions contemplated by this Agreement.

5.3 Actions to Satisfy Closing Conditions

Each Party will take or cause to be taken all actions that are within its power to control, and will make all commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure its compliance with, and satisfaction of, all conditions in Article 6 that are for the benefit of the other Party.

5.4 Delivery of Books and Records

At the Closing Date, the Sellers will cause to be delivered to the Buyer all of the Books and Records of and related to DealTicker, the Subsidiaries and the Business of DealTicker and each Subsidiary, including copies of all of the Insurance Policies.

5.5 Inventory and Cash at Closing

- 5.5.1 The Deferred Revenue will not exceed \$60,000 at Closing and there shall be a minimum of \$146,250 in Cash in the Corporation's accounts. The value of the Inventory at Closing, calculated at cost, shall not be less than \$49,750.

5.6 Personal Information-Post-Closing

The Buyer covenants that following the Closing it will cause DealTicker and each of the Subsidiaries to:

- 5.6.1 use and disclose the Personal Information under its control at the time of the Closing solely for the purposes for which that Personal Information was collected or permitted to be used or disclosed before the transaction was completed;
- 5.6.2 neither use nor disclose any of that Personal Information for any purpose for which its use and disclosure was not permitted before the Closing;
- 5.6.3 protect that Personal Information by security safeguards appropriate to the sensitivity of the information; and
- 5.6.4 give effect to any withdrawal of consent made in accordance with clause 4.3.8 of Schedule I to the *Personal Information Protection and Electronic Documents Act* (Canada).

ARTICLE 6 CLOSING CONDITIONS

6.1 Conditions for the Benefit of the Buyer

The obligation of the Buyer to complete the purchase of the Purchased Shares will be subject to the fulfilment of the following conditions at or before the Closing Date:

- 6.1.1 **Representations, Warranties and Covenants.** The representations and warranties of the Sellers made in this Agreement, and any other agreement or document delivered pursuant to this Agreement, will be true and accurate at the Closing Date with the same force and effect as though those representations and warranties had been made as of the Closing Date. The Sellers will have complied with all covenants and agreements to be performed or caused to be performed by it under this Agreement, and any other agreement or document delivered pursuant to this Agreement, at or before the Closing Date.
- 6.1.2 **No Material Adverse Effect.** Since the date of this Agreement there will not have been any change in any of the assets, Business, financial condition, earnings, results of operations or prospects of DealTicker or any of the Subsidiaries, or any other event, development or condition of any character (whether or not covered by insurance) that has, or might reasonably be expected to have, a Material Adverse Effect.
- 6.1.3 **Consents.** All filings, notifications and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the Leased Properties, will have been made, given or obtained on terms acceptable to the Buyer, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any licence, Permit, Real Property Lease, or Contract of or affecting the Business of DealTicker or any Subsidiary.

- 6.1.4 **Deliveries.** The Sellers will have delivered to the Buyer the following in form and substance satisfactory to the Buyer:
- 6.1.4.1 non-competition agreements duly executed by the Sellers substantially in the form attached as Exhibit 6.1.4.1;
 - 6.1.4.2 employment agreements duly executed by the Key Employees on terms and conditions satisfactory to the Buyer;
 - 6.1.4.3 duly executed resignations effective as at the Closing Date of each director and officer of DealTicker and each Subsidiary specified by the Buyer;
 - 6.1.4.4 releases from the Sellers and each of the individuals specified in Section 6.1.4.3 of all Claims they may have against DealTicker or any of the Subsidiaries on terms and conditions satisfactory to the Buyer;
 - 6.1.4.5 the consents referred to in Section 6.1.3;
 - 6.1.4.6 all Books and Records of and related to DealTicker and the Subsidiaries and the Business of each, including copies of all of the Insurance Policies; and
 - 6.1.4.7 all documentation and other evidence reasonably requested by the Buyer in order to establish the due authorization and completion of the transactions contemplated by this Agreement, including the taking of all corporate proceedings by the boards of directors and shareholders of DealTicker required to effectively carry out the obligations of DealTicker pursuant to this Agreement.
- 6.1.5 **Insurance.** The Buyer being satisfied, in its sole discretion, that appropriate insurance policies are in place with respect to the Business and assets of DealTicker and the Subsidiaries.

6.2 Waiver or Termination by the Buyer

The conditions contained in Section 6.1 are inserted for the exclusive benefit of the Buyer and may be waived in whole or in part by the Buyer at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 6.1 are not fulfilled or complied with by the time that is required under this Agreement, the Buyer may, at or before the Closing Date, terminate this Agreement by notice in writing after that time to the Sellers. In that event the Buyer and the Sellers will be released from all obligations under this Agreement (except as set out in Section 7.2).

6.3 Conditions for the Benefit of the Sellers

The obligation of the Sellers to complete the sale of the Purchased Shares will be subject to the fulfilment of the following conditions at or before the Closing Date:

- 6.3.1 **Representations, Warranties and Covenants.** The representations and warranties of the Buyer made in this Agreement, and any other agreement or document delivered pursuant to this Agreement, will be true and accurate at the Closing Date with the same force and effect as though those representations and warranties had been made as of the Closing Date. The Buyer will have complied with all covenants and agreements agreed to be performed or caused to be performed by it under this Agreement, and any other agreement or document delivered pursuant to this Agreement, at or before the Closing Date
- 6.3.2 **Deliveries.** The Buyer will have delivered to the Sellers the following in form and substance satisfactory to the Sellers:
- 6.3.2.1 employment agreements with the Key Employees duly executed by the Corporation on terms and conditions satisfactory to the Key Employees;
 - 6.3.2.2 an undertaking by the Buyer to the Sellers to elect new directors for DealTicker and the Subsidiaries and to file with Industry Canada a Form 6 for each such corporation and provide proof thereof within ten (10) days of the Closing Date; and
 - 6.3.2.3 all documentation and other evidence reasonably requested by the Sellers in order to establish the due authorization and completion of the transactions contemplated by this Agreement, including the taking of all corporate proceedings by the boards of directors and shareholders of the Buyer required to effectively carry out the obligations of the Buyer pursuant to this Agreement.

6.4 Waiver or Termination by the Sellers

The conditions contained in Section 6.3 are inserted for the exclusive benefit of the Sellers and may be waived in whole or in part by the Sellers at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 6.3 are not fulfilled or complied with by the time that is required under this Agreement, the Sellers may, at or before the Closing Date, terminate this Agreement by notice in writing after that time to the Buyer. In that event the Sellers and the Buyer will be released from all obligations under this Agreement (except as set out in Section 7.2).

6.5 Conditions Precedent

The purchase and sale of the Purchased Shares is subject to the following conditions to be fulfilled at or before the Closing Date, which conditions are true conditions precedent to the completion of the transactions contemplated by this Agreement:

- 6.5.1 **No Action to Restrain.** No order of any Governmental Authority will be in force, and no action or proceeding will be pending or threatened by any Person:
- 6.5.1.1 to restrain or prohibit the completion of the transactions contemplated in this Agreement, including the sale and purchase of the Purchased Shares;
 - 6.5.1.2 to restrain or prohibit DealTicker or any Subsidiary from carrying on its Business; or
 - 6.5.1.3 which would have a Material Adverse Effect.

If any of these conditions precedent have not been fulfilled at or before the Closing Date, this Agreement will be terminated and the Parties will be released from all obligations under this Agreement (except as set out in Section 7.2).

ARTICLE 7 SURVIVAL AND INDEMNIFICATION

7.1 Survival of Covenants and Representations and Warranties

All of the covenants and representations and warranties contained in this Agreement and in any other agreement or document delivered pursuant to this Agreement, including this Article 7, will survive the Closing.

7.2 Survival Following Termination

If this Agreement is terminated at or before the Closing Date pursuant to Sections 6.2, 6.4 or 6.5, this Article 7 will survive the termination of this Agreement and apply to any Claim that is made under the indemnities set out in Sections 7.3 and 7.4.

7.3 Indemnifications for Breaches of Warranty, Covenants etc.

Subject to the remaining provisions of this Article 7, the Sellers, jointly and severally, agree that if they fail to observe or perform any covenant or obligation, or breach any representation and warranty, contained in this Agreement, or in any other agreement or document delivered pursuant to this Agreement, they will indemnify and hold harmless the Buyer from and against the full amount of any Loss which the Buyer or the Buyer's directors, officers or employees may suffer as a result of that failure, (the Buyer or other indemnified Person making a Claim for indemnification under any provision of this Article 7 being the "**Indemnified Party**", for the purposes of this Article 7). The Sellers also agree to, jointly and severally, indemnify and hold harmless the Indemnified Party from and against the full amount of any Loss which the Indemnified Party may suffer as a result of a Third Party Claim made against the Indemnified Party, even if that Third Party Claim is ultimately found not to be meritorious, or is settled with no verdict on its merits being reached.

7.4 Tax Indemnity

Notwithstanding the generality of the foregoing, the Sellers will, jointly and severally, indemnify and hold harmless the Indemnified Party from and against any Loss suffered by the Indemnified Party as a result of any assessment or reassessment for Taxes relating to DealTicker or any Subsidiary for any taxation year ending on or before the Closing Date, except for accrued Taxes as set out in the Disclosure Schedule.

7.5 Notice of Claim

If an Indemnified Party becomes aware of a Loss or potential Loss in respect of which the Sellers have agreed to indemnify it under this Agreement, the Indemnified Party will promptly give written notice (an "**Indemnity Notice**") of its Claim or potential Claim for indemnification (an "**Indemnity Claim**") to the Sellers. An Indemnity Notice must specify whether the Indemnity Claim arises as the result of a Claim made against the Indemnified Party by a person who is not a Party (a "**Third Party Claim**") or as a result of a Loss that was suffered directly by an Indemnified Party (a "**Direct Claim**"), and must also specify with reasonable particularity (to the extent that the information is available):

7.5.1 the factual basis for the Indemnity Claim; and

7.5.2 the amount of the Indemnity Claim, if known.

7.6 Time Limits for Notice

7.6.1 Subject to the remaining provisions of this Section 7.6, no Indemnity Claim may be made under Section 7.3 unless an Indemnity Notice of that Indemnity Claim is delivered to the Sellers within two (2) years after the Closing Date.

7.6.2 No Indemnity Claim arising out of a breach by the Sellers of Section 3.17, or the indemnity obligations of the Sellers under Section 7.4, may be made unless an Indemnity Notice of that Indemnity Claim is delivered to the Sellers within six (6) months of the last day upon which any of the relevant Governmental Authorities is entitled to assess or reassess DealTicker or any Subsidiary with respect to any Tax, having regard to any waivers given by DealTicker or any Subsidiary in respect of Tax, and any entitlement of a Governmental Authority to assess or reassess in the event of fraud or misrepresentation or attributable to neglect, carelessness or wilful default.

7.6.3 No Indemnity Claim arising out of a breach of the Sellers' non-competition and nonsolicitation covenants under the agreement contemplated by Section 6.1.4.1 may be made unless an Indemnity Notice of that Indemnity Claim is delivered to the Sellers within two (2) years of the end of the term of the relevant covenant as set out in that agreement.

- 7.6.4 An Indemnity Notice of an Indemnity Claim with respect to the breach of the representations and warranties of the Sellers contained in Sections 3.4 and 3.23 may be delivered to the Sellers at any time.
- 7.6.5 An Indemnity Notice of a Third Party Claim may be delivered to the Indemnifying Party in accordance with Section 7.5 at any time that the Third Party Claim arises.
- 7.6.6 An Indemnity Notice of an Indemnity Claim may be delivered to the Sellers in accordance with Section 7.5 at any time with respect to a breach of any of the Sellers' covenants or representations and warranties, if that breach is attributable to neglect, carelessness, wilful default, intentional misrepresentation, or fraud.
- 7.7 **Set Off.**

The Buyer shall be entitled to set off any Indemnity Claim against any amounts owing by the Buyer to the Sellers, or any one of them, from time to time, whether under this Agreement or otherwise.

ARTICLE 8 CLOSING ARRANGEMENTS

8.1 Closing

The Closing will take place on the Closing Date at the offices of Gowling Lafleur Henderson LLP, located at 160 Elgin street, Suite 2600, Ottawa, Ontario, or at any other place as the Parties may agree, including the exchange of closing documents by electronic or other means acceptable to the Parties.

8.2 Closing Procedures

On the Closing Date:

- 8.2.1 the Sellers will sell and the Buyer will purchase the Purchased Shares for the Purchase Price as provided in this Agreement;
- 8.2.2 the Sellers will deliver or cause to be delivered to the Buyer all documents referred to in Sections 6.1.1 and 6.1.4;
- 8.2.3 the Sellers will deliver or cause to be delivered to the Buyer original share certificates representing the Purchased Shares in fully transferable form and accompanied by certified copies of resolutions authorizing the transfer of the Purchased Shares;

- 8.2.4 the Buyer will deliver or cause to be delivered to the Sellers, or as the Sellers direct, pursuant to Section 2.3 a certified cheque, bank draft or wire transfer in the amount set out in Section 2.2; and
- 8.2.5 the Buyer will deliver or cause to be delivered the documents referred to in Section 6.3.

ARTICLE 9 GENERAL

9.1 Submission to Jurisdiction

Each of the Parties irrevocably and unconditionally agrees that all disputes, disagreements, controversies, questions or claims arising out of or relating to this Agreement, including, without limitation, with respect to its formation, execution, validity, application, interpretation, performance, breach, termination or enforcement, will be determined by arbitration in accordance with Exhibit I.

9.2 Payment and Currency

Any money to be advanced, paid or tendered by one Party to another under this Agreement must be advanced, paid or tendered by bank draft, certified cheque or wire transfer of immediately available funds payable to the Person to whom the amount is due. Unless otherwise specified, the word "dollar" and the "\$" sign refer to the Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be advanced, paid, tendered or calculated in the Canadian currency.

9.3 Tender

Any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel.

9.4 Costs and Expenses

Except as otherwise specified in this Agreement, all costs and expenses (including the fees and disbursements of accountants, financial advisors, legal counsel and other professional advisers) incurred in connection with this Agreement, the obligations under this Agreement and the completion of the transactions contemplated by this Agreement, are to be paid by the Party incurring those costs and expenses. If there is a breach of this Agreement or this Agreement is terminated, the obligation of each Party to pay its own costs and expenses is subject to each Party's respective rights arising from a breach or termination.

9.5 Time of Essence

Time is of the essence in all respects of this Agreement.

9.6 Notices

Any Communication must be in writing and either:

- 9.6.1 delivered personally or by courier;
- 9.6.2 sent by prepaid registered mail; or
- 9.6.3 transmitted by facsimile, e-mail or functionally equivalent electronic means of transmission, charges (if any) prepaid.

Any Communication must be sent to the intended recipient at its address as follows:

to Julian at:

344 Brickstone Circle
Thornhill, ON L4J 6L4

Attention: Julian Gleizer
Facsimile No.: (416) 667-9401
E-mail: Julian@dealticker.com

with a copy to:

Coutts Crane c/o Andrew Anthony
480 University Avenue, Suite 700
Toronto, ON M5G 1V2Z
P: 416-977-0956
E: aanthony@couttscrane.com

to Daniel at:

14 Brownridge Drive
Thornhill, ON
IAJ 7X6

Attention: Daniel Abramov
Fax: 416-667-9401
E-mail: daniel@dealticker.com

with a copy to:

Coutts Crane c/o Andrew Anthony
480 University Avenue, Suite 700
Toronto, ON M5G IV2Z
P: 416-977-0956
E: aanthony@couttscrane.com

to the Buyer at:

102-325 E. Warm Springs Road,
Las Vegas, NV 89119

Attention: Tony Isaac
Facsimile No.: (480) 654-9727
E-mail:tisaac@livedeal.com

with a copy to:

Gowling Lafleur Henderson LLP
160 Elgin Street, Suite 2600
Ottawa, ON K1P 1C3

Attention: Karen Hennessey
Tel. No.: 613-233-1781
Facsimile No.: 613-563-9869
E-mail: karen.hennessey@growlings.com

or at any other address as any Party may at any time advise the other by Communication given or made in accordance with this Section 9.6. Any Communication delivered to the Party to whom it is addressed will be deemed to have been given or made and received on the day it is delivered at that Party's address, provided that if that day is not a Business Day then the Communication will be deemed to have been given or made and received on the next Business Day. Any Communication sent by prepaid registered mail will be deemed to have been given or made and received on the fifth Business Day after which it is mailed. If a strike or lockout of postal employees is then in effect, or generally known to be impending, every Communication must be delivered personally or by courier or transmitted by facsimile, e-mail or functionally equivalent electronic means of transmission, Any Communication transmitted by facsimile, e-mail or other functionally equivalent electronic means of transmission will be deemed to have been given or made and received on the day on which it is transmitted; but if the Communication is transmitted on a day which is not a Business Day or after 5:00 pm (local time of the recipient), the Communication will be deemed to have been given or made and received on the next Business Day.

9.7 Further Assurances

Each Party will execute and deliver any further agreements and documents and provide any further assurances, undertakings and information as may be reasonably required by the requesting Party to give effect to this Agreement and, without limiting the generality of this Section 9.7, will do or cause to be done all acts and things, execute and deliver or cause to be executed and delivered all agreements and documents and provide any assurances, undertakings and information as may be required at any time by all Governmental Authorities.

9.8 Broker

Other than Michael Koral from We Sell Your Site, who acted as broker to the Sellers, each Party represents and warrants to the other Party that all negotiations relating to this Agreement and the transactions contemplated by this Agreement have been carried on between them directly, without the intervention of any other Person on behalf of any Party in such manner as to give rise to any valid Claim against the Buyer, DealTicker or any Subsidiary for a brokerage commission, finder's fee or other similar payment. The Sellers represent and warrant that the commission payable to Michael Koral is \$16,000 and they agree to direct the Buyer to remit such amount to Michael Koral from the Purchase Price.

9.9 Amendment and Waiver

No amendment, discharge, modification, restatement, supplement, termination or waiver of this Agreement or any Section of this Agreement is binding unless it is in writing and executed by the Party to be bound. No waiver of, failure to exercise or delay in exercising, any Section of this Agreement constitutes a waiver of any other Section (whether or not similar) nor does any waiver constitute a continuing waiver unless otherwise expressly provided.

9.10 Assignment and Enurement

Neither this Agreement nor any right or obligation under this Agreement may be assigned by either Party without the prior written consent of the other Party. This Agreement enures to the benefit of and is binding upon the Parties and their respective heirs, executors, administrators, estate trustees, trustees, personal or legal representatives, successors and permitted assigns.

9.11 Severability

Each Section of this Agreement is distinct and severable. If any Section of this Agreement, in whole or in part, is or becomes illegal, invalid, void, voidable or unenforceable in any jurisdiction by any court of competent jurisdiction, the illegality, invalidity or unenforceability of that Section, in whole or in part, will not affect:

- 9.11.1 the legality, validity or enforceability of the remaining Sections of this Agreement, in whole or in part; or
- 9.11.2 the legality, validity or enforceability of that Section, in whole or in part, in any other jurisdiction.

9.12 Counterparts and Electronic Delivery

This Agreement may be executed and delivered by the Parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

9.13 Language

The Parties have expressly required that this Agreement, any Communication and all other Contracts, documents and notices relating to this Agreement be drafted in the English language. Les parties ont expressement exige que la presente convention, la communication et tous les autres contrats, documents et avis qui y sont afferents soient rediges dans la langue anglaise.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Each of the Parties has executed and delivered this Agreement as of the date noted at the beginning of the Agreement.

/s/ Julie Gleizer
WITNESS

/s/ Julian Gleizer
JULIAN GLEIZER

/s/ Julie Gleizer
WITNESS

/s/ Daniel Abramov
DANIEL ABRAMOV

LIVE GOODS, LLC

Per: /s/ Jon Isaac
Name: Jon Isaac
Title: C.E.O., Director

EXHIBIT 1
RESOLUTION OF DISPUTES

1.1 Arbitration

All disputes, disagreements, controversies, questions or claims arising out of or relating to this Agreement, including, without limitation, with respect to its formation, execution, validity, application, interpretation, performance, breach, termination or enforcement, ("**Disputes**"), will be determined by a sole Arbitrator (the "**Arbitrator**") under the *International Commercial Arbitration Act* (Ontario) (the "**International Act**"). In addition:

- 1.1.1 for certainty, Article 34 of the Schedule to the International Act will apply to the arbitration of a Dispute;
- 1.1.2 the Arbitrator will be any person on whom the Parties can agree. If the Parties cannot agree, the Arbitrator will be appointed by a judge of the Superior Court of Justice of Ontario on the application of any Party on notice to all the other Parties. No individual will be appointed as Arbitrator unless he or she agrees in writing to be bound by the provisions of this Schedule 2.5;
- 1.1.3 the law of Ontario will apply to the substance of all Disputes;
- 1.1.4 the arbitration will take place in the City of Las Vegas, Nevada unless otherwise agreed in writing by the Parties;
- 1.1.5 the language to be used in the arbitration will be English;
- 1.1.6 the Arbitrator, after giving the Parties an opportunity to be heard, will determine the procedures for the arbitration of the Dispute, provided that those procedures will include an opportunity for written submissions and responses to written submissions by or on behalf of all Parties, and may also include an opportunity for exchange of oral argument and any other procedures as the Arbitrator considers appropriate. However, if the Parties agree on a code of procedures or on specific matters of procedure, that agreement will be binding on the Arbitrator;
- 1.1.7 the Arbitrator will have the right to determine all questions of law and jurisdiction, including questions as to whether a Dispute is arbitrable, and will have the right to grant legal and equitable relief including injunctive relief and the right to grant permanent and interim injunctive relief, and final and interim damages awards. The Arbitrator will also have the discretion to award costs, including reasonable legal fees and expenses, reasonable expert's fees and expenses, reasonable witnesses' fees and expenses pre-award and post-award interest and costs of the arbitration, provided that the Arbitrator will not make an award of costs on a distributive basis;

- 1.1.8 the Parties intend, and will take all reasonable action as is necessary or desirable to ensure, that there be a speedy resolution to any Dispute, and the Arbitrator will conduct the arbitration of the Dispute with a view to making a determination and order as soon as possible;
- 1.1.9 the Parties desire that any arbitration should be conducted in strict confidence and that there will be no disclosure to any Person of the existence or any aspect of a Dispute except as is necessary for the resolution of the Dispute. Any proceedings before the Arbitrator will be attended only by those Persons whose presence, in the opinion of any Party or the Arbitrator, is reasonably necessary for the resolution of the Dispute. All matters relating to, all evidence presented to, all submissions made in the course of, and all documents produced in accordance with, an arbitration under this Article, as well as any arbitral award, will be kept confidential and will not be disclosed to any Person without the prior written consent of all the Parties except as required in connection with an application of a Party under Article 34 or Article 35 of the Schedule to the International Act, by applicable laws, or by an order of an Arbitrator; and
- 1.1.10 Subject to Article 33 of the Schedule to the International Act, the Arbitrator's determination of a Dispute will be final and binding and there will be no appeal of that determination on any ground.

1.2 **Interim Relief**

- 1.2.1 Prior to the appointment of the Arbitrator, the Parties may apply to the courts for interim relief. A request for interim relief by a Party to a court will not be considered to be incompatible with Section 1.1 or as a waiver of that provision.
- 1.2.2 At the request of any Party, the Arbitrator may take any interim measures that the Arbitrator considers necessary in respect of the Dispute, including measures for the preservation of assets, the conservation of goods or the sale of perishable goods. The Arbitrator may require security for the costs of those measures.

1.3 **Limitations**

The law with respect to limitation periods that would apply to a court proceeding also applies to an arbitration, as if the arbitration were an action and a claim made in the arbitration were a cause of action.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use of our report dated January 10, 2014, relating to the consolidated balance sheets of Live Deal, Inc. and its subsidiaries (the "Company") as of September 30, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended September 30, 2013 (our "Report") in the Annual Report on Form 10-K of LiveDeal, Inc. for the year ended September 30, 2014 to be filed on or about December 29, 2014. We further consent to the incorporation by reference of our Report in Registration Statement No. 333-198205, on Form S-8, Registration Statement No. 333- 193971, on Form S-3 and Registration Statement No. 333- 187397 of LiveDeal, Inc. already filed.

/s/ Kabani & Company, Inc.
Kabani & Company, Inc.
Certified Public Accountants

Los Angeles, California
December 29, 2014



CERTIFIED PUBLIC ACCOUNTANTS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As an independent registered public accounting firm, we consent to the inclusion in the Registration Statement on Form S-3 and Form S-8 of our report dated December 29, 2014, relating to the consolidated balance sheet of LiveDeal, Inc. and its subsidiaries (the "Company") as of September 30, 2014, and the related consolidated statement of operations, stockholders' equity and cash flows for the year ended September 30, 2014, included in the Annual Report on Form 10-K of LiveDeal, Inc. for the year ended September 30, 2014.

/s/ Anton & Chia, LLP
Anton & Chia, LLP

Newport Beach, California
December 29, 2014

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jon Isaac, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 officer(s) 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 officer(s) 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: December 29, 2014

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

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jon Isaac, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 officer(s) 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 officer(s) 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: December 29, 2014

/s/ Jon Isaac
Jon Isaac
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

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 Annual Report of LiveDeal, Inc. on Form 10-K for the fiscal year ended September 30, 2014 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 Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of LiveDeal, Inc.

Date: December 29, 2014

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

A signed original of this written statement required by Section 906 has been provided to LiveDeal, Inc. and will be retained by LiveDeal, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.