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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2008

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to _______________

Commission File Number 0-24217

LiveDeal, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**85-0206668**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2490 East Sunset Road, Suite 100 **Las Vegas, Nevada** (Address of principal executive offices)	**89120** (Zip Code)

(702) 939-0230
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant 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 ☐	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 ☑

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the issuer's common equity outstanding as of February 10, 2009 was 6,066,742 shares of common stock, par value $0.001.

INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

PART II
OTHER INFORMATION

Index

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIVEDEAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2008 (unaudited)	September 30, 2008
Assets		
Cash and cash equivalents	$ 7,569,993	$ 4,639,787
Accounts receivable, net	6,508,868	6,880,492
Prepaid expenses and other current assets	779,610	792,309
Customer acquisition costs, net	160,552	642,220
Income taxes receivable	-	487,532
Deferred tax asset	843,161	949,121
Total current assets	15,862,184	14,391,461
Accounts receivable, long term portion, net	2,090,971	2,011,143
Property and equipment, net	893,815	959,854
Deposits and other assets	86,944	83,547
Intangible assets, net	6,333,305	6,736,078
Goodwill	11,706,406	11,706,406
Deferred tax asset, long term	4,236,563	3,863,502
Total assets	$ 41,210,188	$ 39,751,991
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 1,001,500	$ 1,078,712
Accrued liabilities	2,817,107	1,991,369
Income tax payable	196,442	-
Current portion of capital lease obligation	67,272	61,149
Total current liabilities	4,082,321	3,131,230
Long term portion of capital lease obligation	169,609	170,838
Total liabilities	4,251,930	3,302,068
Commitments and contingencies		
Stockholders' equity:		
Series E convertible preferred stock, $0.001 par value, 200,000 shares authorized, 127,840 issued and outstanding, liquidation preference $38,202	10,866	10,866
Common stock, $0.001 par value, 100,000,000 shares authorized, 6,195,683 and 6,513,687 outstanding at December 31, 2008 and September 30, 2008, respectively	6,196	6,514
Paid in capital	20,505,883	20,884,112
Retained earnings	16,435,313	15,548,431
Total stockholders' equity	36,958,258	36,449,923
Total liabilities and stockholders' equity	$ 41,210,188	$ 39,751,991

See accompanying notes to unaudited condensed consolidated financial statements.

LIVEDEAL, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months ended December 31, 2008	Three Months ended December 31, 2007
Net revenues	$ 5,163,130	$ 7,068,888
Cost of services	1,609,125	1,005,549
Gross profit	3,554,005	6,063,339
Operating expenses:		
General and administrative expenses	4,259,026	3,394,971
Sales and marketing expenses	1,808,322	2,185,886
Total operating expenses	6,067,348	5,580,857
Operating income (loss)	(2,513,343)	482,482
Other income (expense):		
Interest income, net	13,759	36,032
Other income (expense)	3,805,778	(1,121)
Total other income (expense)	3,819,537	34,911
Income before income taxes	1,306,194	517,393
Income tax provision (benefit)	418,833	(191,301)
Net income	$ 887,361	$ 326,092
Net income per common share:		
Basic	$ 0.15	$ 0.05
Diluted	$ 0.15	$ 0.05
Weighted average common shares outstanding:		
Basic	6,036,964	6,230,395
Diluted	6,109,473	6,424,978

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 887,361	$ 326,092
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,062,015	496,842
Non-cash stock compensation expense	19,856	-
Amortization of deferred stock compensation	89,077	209,079
Deferred income taxes	(267,101)	4,882
Gain on sale of internet domain name	(3,805,778)	-
Provision for uncollectible accounts	347,712	67,693
Changes in assets and liabilities:		
Accounts receivable	(55,916)	(485,229)
Prepaid expenses and other current assets	12,699	145,952
Deposits and other assets	(3,397)	690
Accounts payable	(77,212)	(105,412)
Accrued liabilities	825,738	(161,249)
Income taxes receivable and payable	683,974	202,808
Net cash provided by (used in) operating activities	(280,972)	702,148
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of internet domain name	3,850,000	-
Additional closing costs related to acquisition of LiveDeal, Inc.	-	(7,000)
Additional closing costs related to acquisition of OnCall Subscriber Management, Inc.	-	(16,243)
Expenditures for intangible assets	(119,369)	(163,384)
Purchases of equipment	(11,567)	(44,730)
Net cash provided by (used in) investing activities	3,719,064	(231,357)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Series E preferred stock dividends	(479)	(480)
Principal repayments on capital lease obligations	(19,927)	-
Purchase of treasury stock	(487,480)	(293,832)
Net cash used in financing activities	(507,886)	(294,312)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,930,206	176,479
CASH AND CASH EQUIVALENTS, beginning of period	4,639,787	5,674,533
CASH AND CASH EQUIVALENTS, end of period	$ 7,569,993	$ 5,851,012

See accompanying notes to unaudited condensed consolidated financial statements

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of LiveDeal, Inc. (formerly YP Corp.), a Nevada corporation, and its wholly owned subsidiaries (collectively the "Company"). The Company delivers local customer acquisition services for small and medium-sized businesses combined with a classified and Internet Yellow Pages directory platform technology to deliver an affordable way for businesses to extend their marketing reach to local, relevant customers via the Internet through its online property, www.livedeal.com.

The accompanying condensed consolidated balance sheet as of September 30, 2008, which has been derived from audited consolidated financial statements, and the accompanying unaudited condensed consolidated financial statements as of December 31, 2008 and for the three months ended December 31, 2008 and 2007, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the three months ended December 31, 2008 are not necessarily indicative of the results to be expected for the year ending September 30, 2009. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2008 and for the year then ended included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates and assumptions have been used by management throughout the preparation of the condensed consolidated financial statements including in conjunction with establishing allowances for customer refunds, non-paying customers, dilution and fees, analyzing the recoverability of the carrying amount of intangible assets, estimating forfeitures of stock-based compensation and evaluating the recoverability of deferred tax assets. Actual results could differ from these estimates.

2. BALANCE SHEET INFORMATION

Balance sheet information is as follows:

	December 31, 2008	September 30, 2008
Receivables, current, net:		
Accounts receivable, current	$ 8,342,754	$ 8,923,315
Less: Allowance for doubtful accounts	(1,833,886)	(2,042,823)
	$ 6,508,868	$ 6,880,492
Receivables, long term, net:		
Accounts receivable, long term	$ 2,255,895	$ 2,171,865
Less: Allowance for doubtful accounts	(164,924)	(160,722)
	$ 2,090,971	$ 2,011,143
Total receivables, net:		
Gross receivables	$ 10,598,649	$ 11,095,180
Gross allowance for doubtful accounts	(1,998,810)	(2,203,545)
	$ 8,599,839	$ 8,891,635

	December 31, 2008	September 30, 2008
Components of allowance for doubtful accounts are as follows:		
Allowance for dilution and fees on amounts due from billing aggregators	$ 1,639,888	$ 1,775,276
Allowance for customer refunds	358,922	428,269
	$ 1,998,810	$ 2,203,545

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Included in accounts receivable at December 31, 2008 and September 30, 2008 are receivables of $803,877 and $806,100, respectively from a LEC aggregator that is currently in bankruptcy proceedings, against which the Company maintains allowances totaling $723,489 and $628,449, respectively.

	December 31, 2008	September 30, 2008
Customer acquisition costs, net:		
Customer acquisition costs	$ 1,700,000	$ 1,700,000
Less: Accumulated amortization	(1,539,448)	(1,057,780)
	$ 160,552	$ 642,220

	December 31, 2008	September 30, 2008
Property and equipment, net:		
Leasehold improvements	$ 240,002	$ 233,970
Furnishings and fixtures	311,319	311,319
Office, computer equipment and other	990,020	961,931
	1,541,341	1,507,220
Less: Accumulated depreciation	(647,526)	(547,366)
	$ 893,815	$ 959,854

	December 31, 2008	September 30, 2008
Intangible assets, net:		
Domain name and marketing related intangibles	$ 6,699,600	$ 7,208,600
Non-compete agreement	3,465,000	3,465,000
Website and technology related intangibles	4,236,030	4,147,459
	14,400,630	14,821,059
Less: Accumulated amortization	(8,067,325)	(8,084,981)
	$ 6,333,305	$ 6,736,078

On November 5, 2008, the Company entered into an agreement to sell its Internet domain name "www.yp.com" to YellowPages.com for a cash payment of $3,850,000. Although the Company's future focus is on the sale of customer acquisition services for small and medium-sized businesses, the Company's primary source of ongoing revenues is the sale of Internet Advertising Packages, which targeted users of its www.yp.com property. The Company is in the process of transitioning these customers to advertising on www.yellowpages.livedeal.com. However, certain customers have cancelled their service in response to this transition, and there can be no assurance that these cancellations and any future cancellations will not have an adverse effect on the Company's financial condition or results of operations.

	December 31, 2008	September 30, 2008
Accrued liabilities:		
Deferred revenue	$ 1,540,972	$ 917,068
Accrued payroll and bonuses	358,925	306,984
Accrued expenses - other	917,210	767,317
	$ 2,817,107	$ 1,991,369

3. STOCK-BASED COMPENSATION

From time to time, the Company grants restricted stock awards and stock options to officers, directors, employees and consultants. 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.

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the quarter ended December 31, 2008, the Company granted stock option awards to certain employees and executives and recognized compensation expense of $19,856 based on the grant date fair value of the awards. The Black Scholes option pricing model was used to calculate the expense with the following weighted-average assumptions:

Volatility	97%
Risk-free interest rate	2.6%
Expected term	6.0 years
Forfeiture rate	40%

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. The Company utilized an estimated forfeiture rate of 40% consistent with other stock based compensation awards granted to officers, directors and key employees and is based on both historical and expected forfeiture rates pertaining to such individuals.

During the quarter ended December 31, 2008, the Company recognized $89,077 of expense relating to the fair market value of restricted stock awards, net of estimated forfeitures, which are being recognized over their respective vesting periods.

During the quarter ended December 31, 2008, the Company had stock option activity summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 30, 2008	5,000				
Granted at market price	500,000	$ 1.61	$ 1.26		
Exercised	-	$ -			
Cancelled	-	$ -			
Outstanding at December 31, 2008	505,000			9.8	$ -
Exercisable	5,000	$ 2.78		9.4	$ -

The following table summarizes information about the Company's stock options at December 31, 2008:

	Exercisable		Unexercisable		Total	
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Less than $3.00 per share	5,000	$ 2.78	500,000	1.61	505,000	$ 1.62

The following table sets forth the activity with respect to compensation-related restricted stock grants:

Outstanding (unvested) at September 30, 2008	227,425
Granted	10,000
Forfeited	(11,000)
Vested	(8,000)
Outstanding (unvested) at December 31, 2008	218,425

4. NET INCOME PER SHARE

Net income per share is calculated using the weighted average number of shares of common stock outstanding during the period. Basic weighted average common shares outstanding do not include shares of restricted stock that have not yet vested, although such shares are included as outstanding shares in the Company's unaudited condensed consolidated balance sheet. Diluted net income 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 from restricted shares, stock options and convertible preferred stock. The dilutive effect of outstanding restricted shares and stock options is reflected in diluted earnings per share by application of the treasury stock method. Convertible preferred stock is reflected on an if-converted basis. Preferred stock dividends are subtracted from net income to determine the amount available to common stockholders.

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Net income	$ 887,361	$ 326,092
Less: preferred stock dividends	(479)	(480)
Income applicable to common stock	$ 886,882	$ 325,612
Basic weighted average common shares outstanding	6,036,964	6,230,395
Add incremental shares for:		
Unvested restricted stock	72,509	193,612
Stock options	-	-
Series E convertible preferred stock	-	971
Diluted weighted average common shares outstanding	6,109,473	6,424,978
Net income per share:		
Basic	$ 0.15	$ 0.05
Diluted	$ 0.15	$ 0.05

The following potentially dilutive securities were excluded from the calculation of diluted net income per share because the effects were antidilutive based on the application of the treasury stock method:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Shares of non-vested restricted stock	49,325	54,493
Stock options	505,000	-
Shares of Series E convertible preferred stock	127,840	-

5. COMMITMENTS AND CONTINGENCIES

Operating Leases and Service Contracts

Future minimum annual payments under operating lease agreements and non-cancelable service contracts for fiscal years ending September 30 are as follows:

	Payments Due by Fiscal Year: Total	2009	2010	2011	2012	2013	Thereafter
Operating lease commitments	$ 1,994,838	$ 629,757	$ 555,465	$ 415,565	$ 315,331	$ 78,720	$ -
Noncanceleable service contracts	595,500	495,500	100,000	-	-	-	-
	$ 2,590,338	$ 1,125,257	$ 655,465	$ 415,565	$ 315,331	$ 78,720	$ -

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Capital leases

Future obligations under non-cancelable capital leases are as follows for the fiscal years ended September 30:

2009	$ 57,657
2010	76,876
2011	76,876
2012	44,844
2013	-
Thereafter	-
Total minimum lease payments	256,254
Less imputed interest	(19,373)
Present value of minimum lease payments	236,881
Less: current maturities of capital lease obligations	(67,272)
Noncurrent maturities of capital lease obligations	$ 169,609

Litigation

Set forth below are descriptions of certain updates that occurred during the first quarter of fiscal 2009 with respect to the litigation matters that were discussed in the Company's Annual Report on Form 10-K for the fiscal year that ended on September 30, 2008:

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

On June 6, 2008, Global Education Services, Inc. ("GES") filed a consumer fraud class action lawsuit against the Company and its wholly owned subsidiary, Telco Billing, Inc., in King County (Washington) Superior Court. GES alleged in its complaint that the Company's use of activator checks violated the Washington Consumer Protection Act. GES is seeking injunctive relief against our use of the checks, as well as a judgment in an amount equal to three times the alleged damages sustained by GES and the members of the class. LiveDeal has denied the allegations. Legal proceedings in the matter are ongoing, and discovery began in late January 2009.

Complaint filed by Illinois Attorney General against LiveDeal, Inc.

On November 12, 2008, the Illinois Attorney General filed a complaint in the Circuit Court of the Seventh Judicial Circuit of the State of Illinois (Sangamon County) against the Company requesting money damages and injunctive relief for claims that we employed deceptive and unfair acts and practices in violation of the Illinois Consumer Fraud and Deceptive Business Act in a telemarketing campaign that in par promoted premium Internet Yellow Page listings to Illinois consumers. Based on a preliminary investigation into the sales scripts and automated verification system utilized in the telemarketing campaign, LiveDeal denied the allegations. On December 12, 2008, the Company removed the litigation to the United States District Court for the District of Central Illinois. On December 16, 2008, the Illinois Attorney General filed a motion to remand the litigation to Illinois state court. The Company filed its response on December 30, 2008, and the motion to remand is pending as of the date of this report.

6. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at major nationwide institutions in Arizona and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC 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 two third-party billing companies. The net receivable due from these entities represented 28% and 7%, respectively, of the Company's total net accounts receivable (excluding non-specific reserves) at December 31, 2008. The net receivable due from these entities represented 31% and 13%, respectively, of the Company's total net accounts receivable (excluding non-specific reserves) at September 30, 2008.

7. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements (“SFAS No. 157”). SFAS No. 157 establishes a framework for measuring fair value under generally accepted accounting procedures and expands disclosures on fair value measurements. This statement applies under previously established valuation pronouncements and does not require the changing of any fair value measurements, though it may cause some valuation procedures to change. Under SFAS No. 157, fair value is established by the price that would be received to sell the item or the amount to be paid to transfer the liability of the asset as opposed to the price to be paid for the asset or received to transfer the liability. Further, it defines fair value as a market specific valuation as opposed to an entity specific valuation, though the statement does recognize that there may be instances when the low amount of market activity for a particular item or liability may challenge an entity’s ability to establish a market amount. In the instances that the item is restricted, this pronouncement states that the owner of the asset or liability should take into consideration what affects the restriction would have if viewed from the perspective of the buyer or assumer of the liability. This statement is effective for all assets valued in financial statements for fiscal years beginning after November 15, 2007. The adoption of the pronouncement did not have a material effect on our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (“SFAS No. 159”), which provides companies with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year beginning after November 15, 2007 with early adoption allowed. The adoption of the pronouncement did not have a material effect on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (“SFAS No. 141(R)”) and No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (“SFAS No. 160”). SFAS No. 141(R) and SFAS No. 160 are products of a joint project between the FASB and the International Accounting Standards Board. The revised standards continue the movement toward the greater use of fair values in financial reporting. SFAS No. 141(R) will significantly change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. These changes include the expensing of acquisition related costs and restructuring costs when incurred, the recognition of all assets, liabilities and noncontrolling interests at fair value during a step-acquisition, and the recognition of contingent consideration as of the acquisition date if it is more likely than not to be incurred. SFAS No. 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 141(R) and SFAS No. 160 are effective for both public and private companies for fiscal years beginning on or after December 15, 2008 (October 1, 2009 for the Company). SFAS No. 141(R) will be applied prospectively. SFAS No. 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS No. 160 shall be applied prospectively. Early adoption is prohibited for both standards. The Company is currently evaluating the effects of these pronouncements on its financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133 ("SFAS 161"). FAS 161 modifies existing requirements to include qualitative disclosures regarding the objectives and strategies for using derivatives, fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The pronouncement also requires the cross-referencing of derivative disclosures within the financial statements and notes thereto. The requirements of SFAS 161 are effective for interim and annual periods beginning after November 15, 2008. The Company is currently evaluating the impact of the adoption of SFAS 161 on its financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets (“FSP FAS 142-3”). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. The intent of the position is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), and other GAAP. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. FSP FAS 142-3 is effective for the Company on October 1, 2009. The Company is currently evaluating the impact that the adoption of FSP FAS 142-3 will have on its financial condition, results of operations, and disclosures.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (“SFAS 162”). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company is currently evaluating the impact that the adoption of SFAS 162 will have on its financial condition, results of operations, and disclosures.

In May of 2008, the FASB issued SFAS No. 163, Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60 ("SFAS 163"). The scope of SFAS 163 is limited to financial guarantee insurance (and reinsurance) contracts. The pronouncement is effective for fiscal years beginning after December 31, 2008. The Company does not believe this pronouncement will impact its financial statements.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 ("FSP"). The FSP specifies that issuers of convertible debt instruments that permit or require the issuer to pay cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company would be required to apply the guidance retrospectively to all past periods presented, even to instruments that have matured, converted, or otherwise been extinguished as of the effective date. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not believe this FSP will impact its financial statements.

In June 2008, the Emerging Issues Task Force ("EITF") issued Issue No. 07-05, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("Issue 07-05"). EITF No. 07-05 addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, if an instrument (or an embedded feature) that has the characteristics of a derivative instrument is indexed to an entity's own stock, it is still necessary to evaluate whether it is classified in stockholders' equity (or would be classified in stockholders' equity if it were a freestanding instrument). In addition, some instruments that are potentially subject to the guidance in EITF Issue No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("Issue 00-19") but do not have all the characteristics of a derivative instrument under paragraphs 6 through 9, it is still necessary to evaluate whether it is classified in stockholders' equity. It is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company has not yet evaluated the impact this EITF will have on its financial statements.

8. SUBSEQUENT EVENTS

In January 2009, the Company's management, at the direction of the Company's Audit Committee, commenced an interim reporting period review of the Company's goodwill and intangible assets for impairment. The facts and circumstances that initiated this review are described below.

In accordance with the provisions of SFAS No. 142, *"Goodwill and Other Intangible Assets"*, and SFAS No. 144, "*Accounting for the Impairment and Disposal of Long-Lived Assets"*, the Company evaluates goodwill and other long-lived assets for impairment on an annual basis or whenever facts and circumstances indicate that impairment may exist. Current economic and regulatory forces, both general and specific to the Company's industry, caused management to consider the Company's existing business model and strategy including:

1. The current effects of the recession and general economic downturn;
2. The sale of its "www.yp.com" domain name in the first quarter of 2009;
3. The January 2009 resignation of the Company's president and chief operating officer, who was instrumental in the development of its directory services product offerings;
4. The termination of certain significant directory business contracts;
5. The transition from the initial phase of certain significant directory business contracts; and
6. Continuing losses in the Company's classified businesses.

As a result, the Company's management made significant changes to its business strategy subsequent to the end of the first quarter of fiscal 2009. Management has decided to move the Company's strategic focus away from its directory services and classified businesses due to recent economic events and regulatory pressures. Additionally, the Company is evaluating plans to sell or eventually discontinue its Philippines-based call center which has historically provided telemarketing services to support its directory services business. In light of these changes, the Company determined a triggering event had occurred and initiated an impairment analysis. Based upon the initial analysis, management determined that the following items were impaired:

LIVEDEAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. The goodwill acquired by the Company in its acquisition of LiveDeal, Inc., the business focus of which is online classified advertising;

2. The goodwill acquired by the Company in its acquisition of 247 Marketing, Inc., the business focus of which is providing telemarketing services based in the Philippines;

3. Intangible assets related to the Company's directory services business, including URLs, internally developed software, and other miscellaneous intangible assets.

Since this determination was made after December 31, 2008, the condensed consolidated financial statements herein do not include the effects of this impairment. The impairments are expected to impact the financial statements to be reported for the Company's second fiscal quarter ending March 31, 2009. The impairment write-downs discussed herein reflect the Company's best estimate of the charges that may be taken during the fiscal quarter ending March 31, 2009. The Company believes that if it were to pursue a formal asset disposition program, it may reasonably expect to recover a higher residual value from the assets in this group than the zero value presentation shown below. However, there is no guarantee that any higher value for these assets could, in fact, be recoverable in the future and, accordingly, the Company has chosen to make the most conservative estimates of their value available to it at this time. Further analysis and finalization of any charge will not be completed until the end of the second fiscal quarter.

The following is a summary of said impaired assets at their net book values as of December 31, 2008:

Goodwill	$ 11,706,406
Domain name and marketing related intangibles	1,971,036
Website and technology related intangibles	606,162
	$ 14,283,604

In addition to the impairments described above, the Company has revised the useful lives of certain assets that will result in the acceleration of their depreciation and amortization for an aggregate of $473,060 of net assets during the quarter ending March 31, 2009.

The following unaudited pro forma financial statement information sets forth the estimated impacts of these impairment charges had they been incurred as of December 31, 2008, such financial statements do not include the effects of any accelerated depreciation, as such amounts are treated as a change in estimate and will be recorded on a prospective basis following the change in depreciable lives:

	December 31, 2008		
	As Reported	**Adjustments**	**As Adjusted**
Total current assets	$ 15,862,184	$ -	$ 15,862,184
Total assets	41,210,188	(11,695,588) (a)	29,514,600
Total liabilities	4,251,930	-	4,251,930
Stockholder's equity	36,958,258	(11,695,588) (a)	25,262,670

a) Represents the write-off of $14,283,604 of impaired intangible assets and goodwill, offset by the creation of related deferred tax assets of $2,588,016. No deferred tax asset was created related to the write-off of the $7,356,365 of goodwill from the LiveDeal acquisition. As the acquisition of LiveDeal was structured as a stock transaction, the related goodwill is non-deductible for tax purposes.

The impact on results of operations for the quarter ending March 31, 2009, is expected to be a charge of approximately $11,700,000. Based on the number of shares outstanding as of December 31, 2008, the impact of the charge on earnings per share is expected to be approximately $(1.94). The impacts on results of operations and earnings per share discussed above are estimates only and are based on current share levels and current estimate of the impairment charge. Changes in such share levels and estimates could impact these pro forma results.

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three months ended December 31, 2008, this "Item 2. 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 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended September 30, 2008.

Forward-Looking Statements

This portion of this Quarterly Report on Form 10-Q, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained herein include, but are not limited to our expectation that continued investment in online advertising to bring increased traffic to our websites will drive increased revenues; our belief that our existing cash on hand will provide us with sufficient liquidity to meet our operating needs for the next 12 months; the anticipated benefits relating to our acquisition of LiveDeal, Inc.; and our intention to continue to invest in online advertising.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008 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 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.

Our Company

LiveDeal, Inc. provides local customer acquisition services for small and medium-sized businesses combined with a classified and Internet Yellow Pages directory platform technology to deliver an affordable way for businesses to extend their marketing reach to local, relevant customers via the Internet. Through its online property, www.livedeal.com, LiveDeal delivers local search engine marketing (SEM) through its LiveAdvisor(TM) and LiveClicks(TM) products that combine leading technology with a strong partnership model and an inside sales team to create an efficient platform local businesses need to create and optimize their Internet search advertising campaigns. LiveDeal partners with Google, Yahoo!, MSN, ASK, Miva, Looksmart, Superpages.com and others. LiveDeal, Inc. is headquartered in Las Vegas, Nevada. For more information, please visit www.livedeal.com.

We have two inter-related primary lines of business: (1) We deliver a suite of audience acquisition services for small businesses, sold via telemarketing and supported by our websites and software that we have developed to manage search and other Internet services efficiently, and (2) we maintain a combined local online classifieds and Yellow Pages marketplace with millions of goods and services listed for sale, in every city and zip code across the U.S.

Summary Business Description

Internet Advertising Package. We provide added value to advertisers that have purchased our Internet Advertising Package ("IAP") through promotion and branding of our website to bring customers to our advertisers. We believe that the large number of IAPs, which include the Mini-WebPages, provide users of our website with more information about our advertisers and that this feature is more readily available on our website than that of our competitors. We believe that we provide users of our website with the information they are looking for, more quickly and more efficiently. We believe our call center provides the highest level of customer service and therefore provides IAP advertisers with the necessary resources to fully utilize the benefits of the IAP. We also believe the attraction of these users will, over the long-term, result in more sales for our IAP advertisers.

Telesold Suite Services. Since February 2008, we have added a new line of business that utilizes, but is not entirely dependent on, our classified and directory websites and billing services. This line of business is based around using telesales and sophisticated Internet audience acquisition technologies to deliver a suite of audience acquisition services to small businesses.

The most significant of these is Internet search and the tying of Internet advertising services to search. This development makes it possible, even likely, that customers can find the businesses they need without ever going to a directory. The small business whose website information or advertising message is associated with a successful search becomes the likely recipient of that business. So, utilizing Internet search and related advertising is fast becoming a necessity for small businesses.

Another key Internet development is the rise of locally oriented user review sites and services, such as Yelp.com. At these sites, consumers let each other know about their experiences with local businesses. They rate and comment on the businesses. The sites also tend to provide some aspects of traditional directories as well as new services, such as placing businesses on a local map, providing driving directions, etc. At these sites, as with search, consumers can select businesses for their commerce without ever using a traditional directory.

With the emergence of these new Internet capabilities, and others that are fast emerging, the role of directories, both paper and Internet, is steadily moving toward the back end of a customer acquisition process, where search and review sites dominate the front end, where the greatest value for both customer and business resides.

Our current Telesold Services Suite includes:

- Website acquisition whereby we obtain website address names on behalf of our small business clients.

- Website development and deployment services where we create, house and manage websites on behalf of our small business clients.

- Website traffic and audience development whereby we provide sophisticated search engine marketing techniques, access to our own websites, partnerships with other websites and other techniques to generate traffic to our customers' websites, whether created and housed by us or not.

- Website analytics and performance reports which generate information for our customers about activities on their websites and lead activities for their businesses based on Internet activities.

- Directory services that provide both basic and enhanced directory listings for our customers on our own directory and on partner directories.

- Classified services through which we provide classified and bulk inventory commerce capabilities for our small business customers through our classified marketplace.

In the aggregate, these services represented have grown rapidly, with 100% quarter-over-quarter revenue growth in each of the last three quarters. These services represented 16% of our net revenues in the first quarter of fiscal 2009.

Recent Events & Transactions

Sale of www.yp.com

On November 5, 2008, we entered into an agreement to sell our Internet domain name "www.yp.com" to YellowPages.com for a cash payment of $3,850,000. Although our future focus is on the sale of customer acquisition services for small and medium-sized businesses, our primary source of ongoing revenues is the sale of Internet Advertising Packages, which targeted users of our www.yp.com property. We are in the process of transitioning these customers to advertising on www.yellowpages.livedeal.com. However, certain customers have cancelled their service in response to this transition, and there can be no assurance that these cancellations and any future cancellations will not have an adverse effect on our financial condition or results of operations.

Management Changes

On January 20, 2009, we announced the following managerial changes, which occurred during and shortly after the three months ended December 31, 2008:

- Gary Perschbacher was replaced by Rajeev Seshadri as Chief Financial Officer as of January 9, 2009;
- President and Chief Operating Officer, John Raven submitted his resignation effective February 15, 2009;
- Yishay Yovel was named Vice President of Product Management in October of 2008;
- Pamela Sziebert was appointed Vice President of Marketing in November of 2008;
- Dean Heistad is the Company's new Vice President of Technology Strategy as of January 5, 2009; and,
- Ruben Atchison joined the Company as Director of Search Engine Marketing as of December 2008.

All of these management changes come as part of our emerging strategy to deliver the most effective suite of Internet customer acquisition services to small businesses. As the terminations did not occur until the second quarter of fiscal 2009, the financial statements herein do not include such severance and other costs associated with the departures of Messrs. Perschbacher and Raven.

Subsequent Events

In January 2009, management, at the direction of the Company's Audit Committee, commenced an interim reporting period review of the Company's goodwill and intangible assets for impairment. The facts and circumstances that initiated this review are described below.

In accordance with the provisions of SFAS No. 142, *"Goodwill and Other Intangible Assets"*, and SFAS No. 144, "*Accounting for the Impairment and Disposal of Long-Lived Assets"*, we evaluate goodwill and other long-lived assets for impairment on an annual basis or whenever facts and circumstances indicate that impairment may exist. Current economic and regulatory forces, both general and specific to our industry, caused management to consider the Company's existing business model and strategy including:

1. The current effects of the recession and general economic downturn;

2. The sale of our "www.yp.com" domain name in the first quarter of 2009;

3. The January 2009 resignation of our president and chief operating officer, who was instrumental in the development of our directory services product offerings;

4. The termination of certain significant directory business contracts;

5. The transition from the initial phase of certain significant directory business contracts; and

6. Continuing losses in our classified businesses.

As a result, management made significant changes to the Company's business strategy subsequent to the end of the first quarter of fiscal 2009. We have decided to move the Company's strategic focus away from our directory services and classified businesses due to recent economic events and regulatory pressures. Additionally, we are evaluating plans to sell or eventually discontinue our Philippines-based call center which has historically provided telemarketing services to support our directory services business. In light of these changes, we determined a triggering event had occurred and initiated an impairment analysis. Based upon the initial analysis, we determined that the following items were impaired:

1. The goodwill acquired in our acquisition of LiveDeal, Inc., the business focus of which is online classified advertising;

2. The goodwill acquired in our acquisition of 247 Marketing, Inc., the business focus of which is providing telemarketing services based in the Philippines;

3. Intangible assets related to our directory services business, including URLs, internally developed software, and other miscellaneous intangible assets.

Since this determination was made after December 31, 2008, the condensed consolidated financial statements herein do not include the effects of this impairment. The impairments are expected to impact the financial statements to be reported for our second fiscal quarter ending March 31, 2009. The impairment write-downs discussed herein reflect our best estimate of the charges that may be taken during the fiscal quarter ending March 31, 2009. We believe that if we were to pursue a formal asset disposition program, we may reasonably expect to recover a higher residual value from the assets in this group than the zero value presentation shown below. However, there is no guarantee that any higher value for these assets could, in fact, be recoverable in the future and, accordingly, we have chosen to make the most conservative estimates of their value available to us at this time. Further analysis and finalization of any charge will not be completed until the end of the second fiscal quarter.

The following is a summary of said impaired assets at their net book values as of December 31, 2008:

Goodwill	$ 11,706,406
Domain name and marketing related intangibles	1,971,036
Website and technology related intangibles	606,162
	$ 14,283,604

In addition to the impairments, described above, we have revised the useful lives of certain assets that will result in the acceleration of their depreciation and amortization for an aggregate of $473,060 of net assets during the quarter ending March 31, 2009.

The following unaudited pro forma financial statement information sets forth the impacts of these estimated impairment charges had they been incurred as of December 31, 2008, such financial statements do not include the effects of any accelerated depreciation, as such amounts are treated as a change in estimate and will be recorded on a prospective basis following the change in depreciable lives:

	December 31, 2008		
	As Reported	**Adjustments**	**As Adjusted**
Total current assets	$15,862,184	$ -	$15,862,184
Total assets	41,210,188	(11,695,588)(a)	29,514,600
Total liabilities	4,251,930	-	4,251,930
Stockholder's equity	36,958,258	(11,695,588)(a)	25,262,670

a) Represents the write-off of $14,283,604 of impaired intangible assets and goodwill, offset by the creation of related deferred tax assets of $2,588,016. No deferred tax asset was created related to the write-off of the $7,356,365 of goodwill from the LiveDeal acquisition. As the acquisition of LiveDeal was structured as a stock transaction, the related goodwill is non-deductible for tax purposes.

The impact on results of operations for the quarter ending March 31, 2009, is expected to be a charge of approximately $11,700,000. Based on the number of shares outstanding as of December 31, 2008, the impact of the charge on earnings per share is expected to be approximately $(1.94). The impacts on results of operations and earnings per share discussed above are estimates only and are based on current share levels and current estimate of the impairment charge. Changes in such share levels and estimates could impact these pro forma results.

Results of Operations

Net Revenues

	Net Revenues			
	2008	**2007**	**Change**	**Percent**
Three Months Ended December 31,	$ 5,163,130	$ 7,068,888	$ (1,905,758)	(27)%

Net revenues decreased in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 due primarily to a decrease of approximately $2,100,000 in sales of our directory service products. Additionally, classified revenues decreased $500,000. These decreases highlight a continuing trend amongst our legacy products. However, both of these decreases were partially offset by an increase in our SEM of approximately $700,000 as a result of expanded marketing efforts related to these products.

Cost of Services

	Cost of Services			
	2008	**2007**	**Change**	**Percent**
Three Months Ended December 31,	$ 1,609,125	$ 1,005,549	$ 603,576	60%

Cost of services increased in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008. We experienced an increase in costs related to our directory services and classifieds of approximately $155,000 as well as increased costs related to our SEM business of approximately $449,000. The increase in costs surrounding the SEM business was consistent with our revenue growth in this product line. As a percent of sales, costs associated with the directory business have increased due to increased inquiry and billing fees associated with an increasingly strict regulatory environment.

Gross Profit

	Gross Profit			
	2008	2007	Change	Percent
Three Months Ended December 31,	$ 3,554,005	$ 6,063,339	$ (2,509,334)	(41)%

Gross margins decreased to 68.8% of net revenues in the first quarter of fiscal 2009 from 85.8% of net revenues in the first quarter of fiscal 2008. The present product mix is more heavily weighted towards the sales of our LiveClicks and other related products, which currently have a lower gross margin than the historically higher margin directory services business line. We expect this trend to continue but do expect the margins attributable to the LiveClicks and related products to improve as this business matures.

General and Administrative Expenses

	General and Administrative Expenses			
	2008	2007	Change	Percent
Three Months Ended December 31,	$ 4,259,026	$ 3,394,971	$ 864,055	25%

General and administrative expenses increased in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 primarily due to the following:

- Increased compensation costs of approximately $581,000 primarily attributable to the hiring of additional sales force and technological personnel in light of the development of our Las Vegas operations, partially offset by reduced executive salaries and reduced stock-based compensation charges;

- Increased professional fees of approximately $174,000 related to increased legal expenses incurred in response to certain legal actions brought against us, fees incurred for Sarbanes-Oxley related consulting fees, and increased recruitment fees to hire key personnel in response to our change in strategic direction;

- An increase of approximately $81,000 to depreciation and amortization expense relating to additional fixed assets related to the relocation of our corporate headquarters to Las Vegas and additional capitalized software development costs relating to new product offerings; and,

- An increase in other general and administrative expenses of approximately $40,000.

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

	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Compensation for employees, leased employees, officers and directors	$ 2,508,835	$ 1,810,383	$ 3,181,375	$ 2,377,412	$ 1,928,272
Professional fees	455,832	456,180	275,638	191,330	281,418
Reconfirmation, mailing, billing and other customer-related costs	6,096	48,529	18,185	27,735	17,601
Depreciation and amortization	559,289	588,718	505,095	487,085	478,433
Other general and administrative costs	728,974	643,785	842,517	761,583	689,247
	$ 4,259,026	$ 3,547,595	$ 4,822,810	$ 3,845,145	$ 3,394,971

Sales and Marketing Expenses

	Sales and Marketing Expenses			
	2008	2007	Change	Percent
Three Months Ended December 31,	$ 1,808,322	$ 2,185,886	$ (377,564)	(17)%

Sales and marketing expenses in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 decreased approximately $378,000 primarily due to the following:

- $171,000 of decreased online advertising as we focused our online advertising toward LiveClicks and other traffic generating activities, which are more cost effective than our previous online advertising efforts;
- $166,000 of decreased customer acquisition costs as we began transitioning away from marketing activities geared toward our directory services business; and,
- a reduction of approximately $41,000 in branding and other marketing expenses.

Included in sales and marketing expenses for the three months ended December 31, 2008 is depreciation expense of $19,000 related to our subsidiary in the Philippines that we acquired in the fourth quarter of fiscal 2007.

Operating Income (Loss)

	Operating Income (Loss)			
	2008	**2007**	**Change**	**Percent**
Three Months Ended December 31,	$ (2,513,343)	$ 482,482	$ (2,995,825)	(621)%

The decrease in operating income for the three months ended December 31, 2008 as compared to the three months ended December 31, 2007 is primarily due to decreased gross profit and increased operating expenses as described above.

Total Other Income (Expense)

	Total Other Income (Expense)			
	2008	**2007**	**Change**	**Percent**
Three Months Ended December 31,	$ 3,819,537	$ 34,911	$ 3,784,626	10841%

During the first quarter of fiscal 2009, we entered into an agreement to sell our Internet domain name "www.yp.com" to YellowPages.com for a cash payment of $3,850,000. We had net gain from the sale of that asset of $3,805,778, which is reflected in other income.

Income Tax Provision (Benefit)

	Income Tax Provision (Benefit)			
	2008	**2007**	**Change**	**Percent**
Three Months Ended December 31,	$ 418,833	$ (191,301)	$ 610,134	(319)%

The change in our income tax provision is due primarily to corresponding increases in our pre-tax income. In determining the tax expense, we estimate an effective tax rate based on estimates of expected income and utilization of deferred tax differences.

Net Income (Loss)

	Net Income (Loss)			
	2008	**2007**	**Change**	**Percent**
Three Months Ended December 31,	$ 887,361	$ 326,092	$ 561,269	172%

Changes in net income (loss) are primarily attributable to changes in operating income and changes in income tax expense each of which is discussed in more detail in above.

Liquidity and Capital Resources

Net cash used in operating activities was approximately $281,000 for the first three months of fiscal 2009 as compared to net cash provided by operating activities of approximately $702,000 for the first three months of fiscal 2008. The decrease in cash generated from operations is primarily due to an increase in net income of approximately $561,000 offset by the elimination of the $3,805,778 gain on the sale of our internet domain name that was reflected in net income, but the proceeds from which are shown as an investing activity in the cash flow statement. Both of these items were discussed in greater detail elsewhere in this report.

Our primary source of cash inflows is net remittances from our billing channels, including ACH billings and LEC billings. For ACH billings, we generally receive the net proceeds through our billing service processors within 15 days of submission. For LEC billings, we receive collections on accounts receivable through the billing service aggregators under contracts to administer this billing and collection process. The billing service aggregators generally do not remit funds until they are collected. Generally, cash is collected and remitted to us (net of dilution and other fees and expenses) over a 60- to 120-day period subsequent to the billing dates. Additionally, for each monthly billing cycle, the billing aggregators and LECs withhold certain amounts, or "holdback reserves," to cover potential future dilution and bad debt expense. These holdback reserves lengthen our cash conversion cycle as they are remitted to us over a 12- to 18-month period of time. We classify these holdback reserves as current or long-term receivables on our consolidated balance sheet, depending on when they are scheduled to be remitted to us. As of December 31, 2008, approximately 35% of our gross accounts receivable are due from two aggregators.

With respect to our Telesold Services, we generally receive upfront payments averaging approximately one-sixth of the gross contract amount. Subsequent payments are received on an installment basis over the life of the contract, when the installments due are invoiced to the customer. Most customers purchasing these services elect to use their credit cards to effect payments, and therefore our collections are usually made within a few days of the invoice's due date.

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

Net cash provided by investing activities totaled approximately $3,719,000 for the three months ended December 31, 2008 compared to net cash used for investing activities of approximately $231,000 during the three months ended December 31, 2007. The primary source of the cash provided by our investing activities during the first quarter of fiscal 2009 was the sale of our internet domain name previously discussed. Additionally, we had expenditures for purchases of equipment and intellectual property totaling approximately $131,000, a decrease of approximately $77,000 compared to the first quarter of fiscal 2008. During the three months ended December 31, 2007, we also had approximately $23,000 of cash outflows related to the two acquisitions that took place during fiscal 2007.

Net cash used for financing activities was approximately $508,000 during the first three months of fiscal 2009 compared to approximately $294,000 for the first three months of fiscal 2008. During the first quarter of fiscal 2009, we repurchased 317,004 shares of our common stock, which were valued at $487,480 in the aggregate. During the first quarter of fiscal 2008, we made treasury stock repurchases of 76,725 shares valued at $293,832. During the three months ended December 31, 2008, we made payments on our capital lease obligations for telecommunications equipment of $19,927. Financing activities also included $479 and $480 of preferred stock dividends paid in the first three months of fiscal 2009 and fiscal 2008, respectively.

We had working capital of $11,779,863 as of December 31, 2008, compared to $11,260,231 as of September 30, 2008, with current assets increasing by $1,470,723 and current liabilities increasing by $951,091 from September 30, 2008 to December 31, 2008. Our cash position increased to $7,569,993 at December 31, 2008 compared to $4,639,787 at September 30, 2008 due to the effects of our results of operations and cash flows from the sale of intangible assets and expenditures for equipment.

The following table summarizes our contractual obligations at December 31, 2008 and the effect such obligations are expected to have on our future liquidity and cash flows:

	Payments Due by Fiscal Year						
	Total	2009	2010	2011	2012	2013	Thereafter
Operating lease commitments	$ 1,994,838	$ 629,757	$ 555,465	$ 415,565	$ 315,331	$ 78,720	$ -
Capital lease commitments	256,254	57,657	76,876	76,876	44,844	-	-
Noncanceleable service contracts	595,500	495,500	100,000	-	-	-	-
	$ 2,846,592	$ 1,182,914	$ 732,341	$ 492,441	$ 360,175	$ 78,720	$ -

We believe that our existing cash on hand and additional cash generated from operations will provide us with sufficient liquidity to meet our operating needs for the next 12 months.

At December 31, 2008, we had no other off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2008, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required under Statement of Financial Accounting Standards No. 107. 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 the periods set forth in this report) or commodity price risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls are also designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our principal executive officer and principal financial officer included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer and chief financial officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on their review and evaluation as of the end of the period covered by this Form 10-Q, and subject to the inherent limitations as described above, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective as of the end of the period covered by this report. They are not aware of any significant changes in our disclosure controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. During the period covered by this Form 10-Q, there have not been any changes in our internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

On June 6, 2008, Global Education Services, Inc. ("GES") filed a consumer fraud class action lawsuit against the Company and its wholly owned subsidiary, Telco Billing, Inc., in King County (Washington) Superior Court. GES alleged in its complaint that the Company's use of activator checks violated the Washington Consumer Protection Act. GES is seeking injunctive relief against our use of the checks, as well as a judgment in an amount equal to three times the alleged damages sustained by GES and the members of the class. LiveDeal has denied the allegations. Legal proceedings in the matter are ongoing, and discovery began in late January 2009.

Complaint filed by Illinois Attorney General against LiveDeal, Inc.

On November 12, 2008, the Illinois Attorney General filed a complaint in the Circuit Court of the Seventh Judicial Circuit of the State of Illinois (Sangamon County) against the Company requesting money damages and injunctive relief for claims that we employed deceptive and unfair acts and practices in violation of the Illinois Consumer Fraud and Deceptive Business Act in a telemarketing campaign that in par promoted premium Internet Yellow Page listings to Illinois consumers. Based on a preliminary investigation into the sales scripts and automated verification system utilized in the telemarketing campaign, LiveDeal denied the allegations. On December 12, 2008, the Company removed the litigation to the United States District Court for the District of Central Illinois. On December 16, 2008, the Illinois Attorney General filed a motion to remand the litigation to Illinois state court. The Company filed its response on December 30, 2008, and the motion to remand is pending as of the date of this report.

ITEM 1A. RISK FACTORS

There have been no material changes to the factors disclosed in Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended September 30, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[1]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2008	317,004	$ 1.65	317,004	$ 486,676
November 1-30, 2008	-	N/A	-	-
December 1-31, 2008	-	N/A	-	-
Total	317,004		317,004	$ 486,676

1) On May 25, 2007, the Company's Board of Directors authorized a stock repurchase plan allowing repurchases of up to $1,000,000 of common stock from time to time on the open market. The repurchase plan was increased by another $500,000 on October 23, 2008. These shares were subsequently retired.

ITEM 6. EXHIBITS

The following exhibits are either attached hereto or incorporated herein by reference as indicated:

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form 8-K, SEC File No. 000-24217, filed on August 15, 2007).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 10-K, SEC File No. 000-24217, for the year ended September 30, 2007).
10.1	Domain Name Purchase and Transfer Agreement by and between the Company and YellowPages.com LLC
10.2	Employment Agreement by and between the Company and Rajeev Seshadri
31	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32	Section 1350 Certifications

SIGNATURES

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

LiveDeal, Inc.

Dated: February 17, 2009

/s/ Rajeev Seshadri
Rajeev Seshadri
Chief Financial Officer

Exhibit 10.1

Execution Copy

DOMAIN NAME PURCHASE AND TRANSFER AGREEMENT

This Domain Name Purchase and Transfer Agreement ("Agreement") is made and entered into as of November 5, 2008 (the "Effective Date") by and between YellowPages.com LLC, a Delaware limited liability company ("Purchaser"), LiveDeal, Inc., a Nevada corporation (f/k/a YP Corp.) ("LiveDeal"), and Telco Billing, Inc., a Nevada corporation (together with LiveDeal, "Seller").

Background

Seller is the owner of the Internet domain name "www.YP.com" (the "Domain Name") and is the registrant of record for the Domain Name with Network Solutions ("Registrar").

Seller obtained the Domain Name from OnRamp Access, Inc., effective July 21, 2006, pursuant to that certain Stock Repurchase and Domain Name Transfer Agreement by which OnRamp Access transferred all right and title in the Domain Name to Telco Billing, Inc., LiveDeal's wholly owned subsidiary. The Domain Name was then registered in the name of Telco Billing's parent, YP Corp, which changed its name to LiveDeal on August 14, 2007.

Purchaser wants to purchase from Seller all of Seller's rights, title, and interest in and to the Domain Name and any and all goodwill associated therewith.

Seller has agreed to sell, assign, transfer, and deliver to Purchaser all of its rights, title, and interest in and to the Domain Name, including any and all goodwill associated therewith subject to the terms and conditions of this Agreement.

NOW THEREFORE**,** in consideration of the mutual covenants in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are herby acknowledged, the Parties agree as follows:

1. Assignment and Transfer. Seller hereby irrevocably sells, assigns, and transfers to Purchaser all of Seller's and its Affiliates' rights, title, and interest in and to the Domain Name, the look and feel of the website associated with the Domain Name (the "Website"), and any goodwill associated therewith (the Domain Name, the Website, and any goodwill associated therewith shall hereinafter collectively be referred to as the "Domain Name"). Purchaser hereby accepts such assignment and transfer. Seller hereby irrevocably consents and authorizes the Registrar to transfer this Domain Name to Purchaser in accordance with the regular transfer procedures of Registrar, which are set forth on Exhibit A attached hereto. Seller and its Affiliates, directors, officers, and employees shall hereafter take such other actions and execute such other agreements and instruments as are reasonably deemed necessary by Purchaser or the Registrar to document Seller's assignment and transfer of the Domain Name to Purchaser. Seller will cooperate promptly in facilitating the transfer to Purchaser of the Domain Name with the Registrar and will follow the rules designated by the Registrar to effect such transfer, including promptly responding to the e-mail sent to Seller's contact from the Registrar confirming the transfer of the Domain Name to Purchaser. Purchaser will establish an account with the Registrar and initiate the transfer and follow the procedures set forth on Exhibit A attached hereto. "Affiliate" means, with respect to a party hereto, any entity that, directly or indirectly, controls, is controlled by, or is under common control with such party; "control" means the direct or indirect possession of the power to direct or cause the direction of the management and policies of another entity, whether through the ownership of voting securities, by contract or otherwise.

2. Payment. In full consideration of Seller's transfer to Purchaser of all rights, title, and interest in and to the Doman Name, Purchaser shall pay Seller the total sum of U.S. $3,850,000.00 (the "Funds"). The payment shall occur as follows: Contemporaneous with the execution of this Agreement by both Parties, (i) Purchaser and Seller shall open an escrow account ("Escrow Account") with Alliance Bank of Arizona as escrow agent ("Escrow Agent") pursuant to an escrow agreement in the form attached hereto as Exhibit B ("Escrow Agreement"); (ii) Purchaser shall deposit the Funds by wire of immediately available funds into the Escrow Account; and (iii) Purchaser and Seller shall each deliver to the Escrow Agent its respective executed copy of the Agreement for deposit into the Escrow Account. The Funds shall be released to Seller and a fully executed copy of the Agreement shall be released to the Seller and Purchaser in accordance with the terms of the Escrow Agreement. The Escrow Agreement will reflect that the Escrow Agent will immediately release the Funds to Seller upon receipt of joint written instructions from Purchaser and Seller providing for release of the Funds to Seller upon receipt of the e-mail from the Registrar described in Paragraph 14 of Exhibit A hereto confirming the assignment and transfer described in Section 1 have occurred (the "Confirming E-mail"). Purchaser and Seller shall immediately deliver to the Escrow Agent instructions to release the Funds to Seller upon Purchaser's receipt of the Confirming E-mail. Purchaser and Seller shall share equally the costs and fees due the Escrow Agent in connection with the Escrow Account and the services rendered pursuant to the Escrow Agreement. All interest accrued on the Funds while in the escrow account shall be released to Purchaser.

3. Future Use of Domain Name and Website. Once Purchaser becomes the owner of the Domain Name, Seller and its Affiliates shall not make any use, either for their own benefit or for the benefit of any other person or entity, of the Domain Name. As of the date Purchaser receives the Confirming E-mail, Purchaser shall, as the sole owner of the Domain Name, have the exclusive right to use or otherwise transfer the Domain Name. Seller agrees that it and its Affiliates, and all entities they control or are associated with, shall not in the future register, use, apply to register or assist any third party with registering, use or apply to register a domain name, trademark, or designation that comprises or includes, whether alone or in combination with each other or with other words, the Domain Name. Notwithstanding the foregoing or anything to the contrary in this Agreement, prior to the date that is two weeks from Purchaser's receipt of the Confirming E-mail ("Forbearance Date"), Purchaser will not and will not permit its Affiliates to use or make any modifications to the Website or domain servers so that Seller will have sufficient time to extract data from the Website and obtain an alternate location for its current YP.com pages and/or directory, which Seller shall do on or before the Forbearance Date.

4. Liabilities. Purchaser shall not assume or become obligated in any way to pay any liabilities, debts, or obligations of Seller whatsoever, including, but not limited to, any liabilities or obligations now or hereafter arising from Seller's business activities that took place prior to the execution of this Agreement or any liabilities arising out of or connected to the execution of this Agreement. Seller shall indemnify and hold harmless Purchaser and its officers, directors, Affiliates, employees, and agents against any loss or claim related to the foregoing. Notwithstanding the foregoing, Purchaser shall assume any and all liabilities and obligations associated with the Domain Name and use of the website associated therewith arising out of or related to Purchaser's use of the Domain Name and any associated website and Purchaser shall indemnify and hold harmless Seller and its officers, directors, Affiliates and agents against any loss or claim related thereto. The indemnification procedures are set forth in Section 6.

5. Representations and Warranties.

(a) Representations and Warranties of Purchaser. Purchaser represents and warrants that (i) Purchaser has full power and authority to enter into this Agreement and will be bound by and perform its obligations under this Agreement; (ii) this Agreement, when signed and delivered by Purchaser, will be duly and validly executed and delivered and will be the valid and binding obligation of Purchaser, enforceable against Purchaser, in accordance with its terms.

(b) Representations and Warranties of Seller. Seller represents and warrants that (i) Seller has full power and authority to enter into this Agreement and will be bound by and perform its obligations under this Agreement; (ii) this Agreement, when signed and delivered by Seller, will be duly and validly executed and delivered and will be the valid and binding obligation of Seller, enforceable against Seller, in accordance with its terms; (iii) neither the signing and delivery of this Agreement by Seller, nor the performance by Seller of its obligations under this Agreement, will violate any law, statute, rule, or regulation or order, judgment, injunction, or decree of any court, administrative agency, or governmental body applicable to Seller; (iv) Seller has not taken any action to assign, transfer, or encumber the Domain Name; (v) Seller is not legally bound by any agreements or obligation relating to the Domain Name that could (a) obligate Seller or Purchaser to license or otherwise grant rights to any other person or entity in the Domain Name (whether owned or used by the Seller or Purchaser), (b) result in a claim against or lien on the Domain Name, or (c) prohibit the arrangements contemplated hereby or result in a claim with respect to the Domain Name; (vi) Seller owns and possesses all rights, title, and interest in and to the Domain Name and its related website; (vii) Seller has no knowledge of any existing threatened or known claims or liabilities related to the use of the Domain Name; and (vii) the Domain Name is free and clear of any liens, security interests, or other encumbrances.

6. Indemnification. Each party shall indemnify and hold harmless the other party, its officers, directors, employees, agents, Affiliates, successors, and assigns for any and all costs, expenses, and liabilities, including reasonable attorney's fees, arising out of such party's acts or omissions in performing or failing to perform its obligation under this Agreement, including breach of any provision, representation, or warranty set forth in this Agreement. The obligations of each Party (the "Indemnitor") under this Agreement to defend, indemnify, and hold harmless the other Party and its Affiliates, and their respective employees, representatives and agents (each, an "Indemnitee") shall be subject to the following: (a) the Indemnitee shall provide the Indemnitor with prompt notice of any claims, demands, causes of action, proceedings, or lawsuits ("Claim") giving rise to such obligation; provided, however, that any failure or delay in giving such notice shall only relieve the Indemnitor of its obligation to defend, indemnify, and hold the Indemnitee harmless to the extent it reasonably demonstrates its defense or settlement of the Claim was adversely affected thereby; (b) the Indemnitor shall have sole control of the defense and of all negotiations for settlement of such Claim; and (c) the Indemnitee shall cooperate with the Indemnitor in the defense or settlement of any such Claim at the Indemnitor's expense. Notwithstanding the foregoing, the Indemnitor shall not settle any claim unless such settlement completely and forever releases the Indemnitee from all liability with respect to such Claim or unless the Indemnitee consents to such settlement in writing. Where the Indemnitor does not request the Indemnitee to cooperate in the defense or settlement of any such Claim in which the Indemnitee is involved, the Indemnitee may participate in the defense of the Claim at its own expense.

7. Confidentiality. Neither party shall disclose the existence or terms of this Agreement without the express written consent of the other party, except for disclosures required by applicable law.

8. Entire Agreement. This Agreement and any schedules or exhibits hereto constitute the entire agreement of Seller and Purchaser with respect to the subject matter hereof and supersede any prior or contemporaneous agreements (whether written or oral) between the parties with respect to the subject matter contained herein. This Agreement may be amended or modified only by a writing signed by each party hereto.

9. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without reference to any choice of law principles.

10. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and will be deemed fully executed when both parties have affixed authorized signatures, whether or not on a single page. Signatures received via facsimile shall be as legally binding for all purposes as an original signature.

11. Successors and Assigns. This Asset Purchase Agreement shall bind and inure to the benefit of the Parties and their respective Affiliates, successors and assigns.

12. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and will be deemed fully executed when both parties have affixed authorized signatures, whether or not on a single page. Signatures received via facsimile shall be as legally binding for all purposes as an original signature.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above by and through their duly authorized agents.

SELLER:

LIVEDEAL, INC., a Nevada corporation

/s/ Michael Edelhart
By: Michael Edelhart
Its: Chief Executive Officer

PURCHASER:

YELLOWPAGES.COM LLC, a Delaware limited liability company

/s/ David Krantz
By: David Krantz
Its: Chief Executive Officer

SELLER:

TELCO BILLING, INC., a Nevada corporation

/s/ Michael Edelhart
By: Michael Edelhart
Its: President

[Signature Page to Domain Name Purchase and Transfer Agreement]

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("**Agreement**") is made and entered into effective as of November 17, 2008 ("**Effective Date**") by and between LiveDeal, Inc., a Nevada corporation (the "**Company**") and Rajeev Seshadri ("**Executive**").

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

1. Employment. The Company hereby agrees to employ Executive, and Executive hereby agrees to serve, subject to the provisions of the Agreement, as an employee of the Company initially in the position of assistant to the Chief Executive Officer and, effective January 9, 2009, in the position of Chief Financial Officer. Executive will perform all services and acts reasonably necessary to fulfill the duties and responsibilities of his positions and will render such services on the terms set forth herein and will report to the Company's Chief Executive Officer. In addition, Executive will have such other executive and managerial powers and duties with respect to the Company as may reasonably be assigned to him by the Chief Executive Officer, to the extent consistent with his positions and status as set forth above. Executive is obligated to devote his full time, attention and energies to perform the duties assigned hereunder and Executive agrees to perform such duties diligently, faithfully and to the best of his abilities. Notwithstanding the foregoing, Company acknowledges and agrees that during the Term, Executive shall have the right to have a "financial interest" in or serve as a consultant, officer or director of any non-competing business; provided that Executive agrees that engaging in such outside activities shall not interfere with the performance of Executive's full-time duties hereunder. Executive acknowledges that any such outside activities that involve an entity other than the Company or its subsidiaries will involve an entity independent of the Company and any actions or decisions Executive takes or makes on behalf of such entity will not be imputed to the Company or its subsidiaries.

2. Term. This Agreement is for a four-year period (the "**Term**") commencing on the Effective Date hereof and terminating on the fourth anniversary of the Effective Date, or upon the date of termination of employment pursuant to Section 7 of this Agreement; provided, however, that the Term may be extended as mutually agreed to by the parties.

3. Place of Performance. Executive may perform his duties and conduct his business on behalf of the Company at either the Company's offices in Las Vegas, Nevada or Santa Clara, CA or at remote locations of his choosing by telecommuting; provided that such practice shall not substantially interfere with the performance of Executive's duties hereunder.

4. Compensation.

(a) Salary. Executive shall be paid a salary at the annual rate of $215,000 (the "**Salary**"). The Salary will at all times be payable in accordance with the Company's regular payroll practices and subject to all applicable withholdings, including taxes.

(b) Performance Bonuses. Executive will be entitled to receive up to $60,000 per year of a performance bonus in the event the Company reaches certain performance measures established by the Compensation Committee of the Board or the entire Board. All bonuses payable under this Section 4(b) will be subject to all applicable withholdings, including taxes.

(c) Stock Option. The Company will grant to Executive upon execution of this Agreement and subject to shareholder approval (the "**Grant Date**") an option to purchase from the Company for cash all or any part of an aggregate of 100,000 shares of the Company's common stock (the "**Option**") at the then-current market price of the Company's common stock pursuant to the Company's 2003 Stock Plan and the Company's standard form of Non-Qualified Stock Option Agreement. The Option granted under this Agreement is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended. So long as Executive continues to be a service provider to the Company as an employee in accordance with this Agreement, the Option will vest and be exercisable according to the following schedule: one quarter (25%) on the first anniversary of the Effective Date and the remainder shall vest 1/36 at the end of each month thereafter over the next 36 months so long as Executive continues to provide services to the Company. Notwithstanding the foregoing, all of the Option will immediately vest and become exercisable upon either (A) a termination of Executive's employment pursuant to Section 7(a)(i) or (ii) or (B) the occurrence of a Change of Control (as defined below) and the termination of Executive as an employee of the Company; provided, however, that in the event of a Change of Control and the retention of Executive as an employee of the Company with the same Salary, vesting and exercisability of the Option will accelerate to the date that is 12 months from such Change of Control. If any vested portion of the Option is not exercised by Executive within 90 days following the later of Executive's termination, such vested portion, along with any remaining unvested portion of the Option, will be subject to immediate forfeiture back to the Company.

(d) For purposes of this Agreement, "**Change of Control**" will mean (i) any merger of the Company in which the Company is not the continuing or surviving entity, or pursuant to which stock would be converted into cash, securities, or other property other than a merger of the Company in which the holders of the Company's stock immediately prior to the merger have the same proportionate ownership of beneficial interest of common stock or other voting securities of the surviving entity immediately after the merger or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of assets or earning power aggregating more than 50% of the assets or earning power of the Company or any major subsidiary, other than pursuant to a sale-leaseback, structured finance or other form of financing transaction or (iii) purchase of more than 50% of the Company's stock by an entity not currently an owner of the Company's stock

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

6. Benefits. During the Term, Executive will be eligible to participate fully in all health and benefit plans available to senior officers of the Company generally, as the same may be amended from time to time by the Board.

7. Termination of Employment.

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

(i) the date of Executive's death;

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

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

(iv) expiration of the Term; or

(v) the date on which the Company gives Executive notice of termination for any reason other than the reasons set forth in Sections 7(a)(i) through (iv) above.

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

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

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

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

(iii) Executive's breach of any material term of this Agreement or the Company's written policies and procedures, as in effect from time to time; provided, however, that with respect to Sections 7(c)(i) or (iii) above, such termination for Cause will only be effective if the conduct constituting Cause is not cured by Executive within 5 days of receipt by Executive of written notice specifying in reasonable detail the nature of the alleged breach.

8. Compensation in Event of Termination. Upon termination of this Agreement and Executive's employment, the Company will have no further obligation to Executive except to pay the amounts set forth in this Section 8.

(a) In the event Executive's employment is terminated pursuant to Section 7(a)(iii) or (iv) on or before the expiration of the Term, Executive will be entitled to payment of any earned but unpaid Salary through the date of termination. Any bonuses, fees or payments due to Executive under Section 4(b) above shall be paid to Executive as set forth therein.

(b) In the event Executive's employment is terminated pursuant to Section 7(a)(i), (ii), or (v) on or before the expiration of the Term, and provided that Executive (or his estate, as applicable) executes a valid release of any and all claims that Executive may have relating to his employment against the Company and its agents, including, but not limited to, its officers, directors and employees, in a form provided by the Company, Executive (or his estate, as applicable) will be entitled to a lump sum payment equal to Executive's Base Salary for a period of three months from the date of termination, subject to all applicable withholdings and taxes. Any bonuses, fees or payments due to Executive under Section 4(b) above shall be paid to Executive as set forth therein.

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

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

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

12. Binding Agreement.

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

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

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

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

15. Entire Agreement. This Agreement contains all the understandings between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or written, previously entered into by them with respect thereto, including, without limitation, the employment agreement, dated November 10, 2008, by and between the Company and the Executive. Executive represents that, in executing this Agreement, he does not rely, and has not relied, on any representation or statement not set forth herein made by the Company with regard to the subject matter, bases or effect of this Agreement otherwise.

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

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

To Executive at:

Rajeev Seshadri
5469 Golubin Common
Fremont, CA 94555
Phone: (415) 265-4001

To the Company at:

LiveDeal, Inc.
2490 E. Sunset Rd., #100
Las Vegas, NV 89120
Phone: (702) 939-0230
Fax: (702) 939-0246
Attention: CEO

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

Daniel M. Mahoney, Esq.
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren St., 10th Floor
Phoenix, Arizona 85004
Phone: (602) 382-6206
Fax: (602) 382-6070

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

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

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

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

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

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

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

[Signature Page Follows]

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

LIVEDEAL, INC., a Nevada corporation	EXECUTIVE
/s/ Michael Edelhart	/s/ Rajeev Seshadri
By: Michael Edelhart Its: Chief Executive Officer	Rajeev Seshadri
Dated: January 15, 2009	Dated: January 15, 2009

[RAJEEV SESHADRI EMPLOYMENT AGREEMENT]

Exhibit 31

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Michael Edelhart, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LiveDeal, Inc.;

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 controls 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 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: February 17, 2009 *(/s/ Michael Edelhart)*

Michael Edelhart
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Rajeev Seshadri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LiveDeal, Inc.;

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)) 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 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: February 17, 2009 *_/s/ Rajeev Seshadri_*

Rajeev Seshadri
Chief Financial Officer

Exhibit 32

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

I, Michael Edelhart, the Chief Executive Officer of LiveDeal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of LiveDeal, Inc. on Form 10-Q for the quarter ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of LiveDeal, Inc.

Date: February 17, 2009 *<u>/s/ Michael Edelhart</u>*
Michael Edelhart
Chief Executive Officer

I, Rajeev Seshadri, the Chief Financial Officer of LiveDeal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of LiveDeal, Inc. on Form 10-Q for the quarter ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of LiveDeal, Inc.

Date: February 17, 2009 *<u>/s/ Rajeev Seshadri</u>*
Rajeev Seshadri
Chief Financial Officer