

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

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(Mark One)

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

For the quarterly period ended March 31, 2012

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33937

**LiveDeal, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**85-0206668**

(IRS Employer Identification No.)

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of the issuer's common stock, par value \$.001 per share, outstanding as of May 1, 2012 was 2,395,729.

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FOR THE QUARTER ENDED MARCH 31, 2012**

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**PART I – FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

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

	<u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,110,323	\$ 244,470
Accounts receivable, net	512,301	654,856
Prepaid expenses and other current assets	86,381	113,323
Total current assets	<u>2,709,005</u>	<u>1,012,649</u>
Accounts receivable, long term portion, net	364,091	371,438
Property and equipment, net	91,603	171,201
Deposits and other assets	33,207	31,007
Intangible assets, net	1,173,431	1,222,334
Total assets	<u>\$ 4,371,337</u>	<u>\$ 2,808,629</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 748,552	\$ 600,908
Accrued liabilities	336,017	424,595
Notes payable	750,000	1,000,000
Current portion of capital lease obligation	5,330	36,992
Total current liabilities	<u>1,839,899</u>	<u>2,062,495</u>
Total liabilities	<u>1,839,899</u>	<u>2,062,495</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 issued and outstanding, liquidation preference \$38,202	10,866	10,866
Common stock, \$0.001 par value, 10,000,000 shares authorized, 2,392,522 and 698,491 shares issued, 2,392,522 and 694,239 shares outstanding at March 31, 2012 and September 30, 2011, respectively	2,393	698
Treasury stock (0 and 4,252 shares, respectively, carried at cost)	-	(70,923)
Paid in capital	22,977,352	20,813,082
Accumulated deficit	(20,459,173)	(20,007,589)
Total stockholders' equity	<u>2,531,438</u>	<u>746,134</u>
Total liabilities and stockholders' equity	<u>\$ 4,371,337</u>	<u>\$ 2,808,629</u>

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

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

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net revenues	\$ 821,701	\$ 1,118,165	\$ 1,673,114	\$ 2,112,787
Cost of services	226,608	1,512,783	462,427	2,407,360
Gross profit	<u>595,093</u>	<u>(394,618)</u>	<u>1,210,687</u>	<u>(294,573)</u>
<b>Operating expenses:</b>				
General and administrative expenses	821,434	1,611,382	1,588,242	3,583,951
Sales and marketing expenses	519	23,183	579	36,775
Total operating expenses	<u>821,953</u>	<u>1,634,565</u>	<u>1,588,821</u>	<u>3,620,726</u>
Operating loss	<u>(226,860)</u>	<u>(2,029,183)</u>	<u>(378,134)</u>	<u>(3,915,299)</u>
<b>Other income (expense):</b>				
Interest income (expense), net	(40,612)	(310)	(84,556)	1,252
Other income	8,250	-	8,250	-
Total other income (expense)	<u>(32,362)</u>	<u>(310)</u>	<u>(76,306)</u>	<u>1,252</u>
Loss before income taxes	(259,222)	(2,029,493)	(454,440)	(3,914,047)
Income tax provision (benefit)	-	-	-	-
Loss from continuing operations	<u>(259,222)</u>	<u>(2,029,493)</u>	<u>(454,440)</u>	<u>(3,914,047)</u>
<b>Discontinued operations</b>				
Income (loss) from discontinued component, including disposal costs	229	(285,207)	3,809	(131,047)
Income tax provision (benefit)	-	-	-	-
Income (loss) from discontinued operations	<u>229</u>	<u>(285,207)</u>	<u>3,809</u>	<u>(131,047)</u>
Net loss	<u>\$ (258,993)</u>	<u>\$ (2,314,700)</u>	<u>\$ (450,631)</u>	<u>\$ (4,045,094)</u>
<b>Earnings per share - basic and diluted:</b>				
Loss from continuing operations	\$ (0.11)	\$ (3.08)	\$ (0.27)	\$ (6.04)
Discontinued operations	0.00	(0.43)	0.00	(0.20)
Net loss	<u>\$ (0.11)</u>	<u>\$ (3.51)</u>	<u>\$ (0.27)</u>	<u>\$ (6.24)</u>
<b>Weighted average common shares outstanding:</b>				
Basic	<u>2,345,253</u>	<u>658,928</u>	<u>1,692,374</u>	<u>647,757</u>
Diluted	<u>2,345,253</u>	<u>658,928</u>	<u>1,692,374</u>	<u>647,757</u>

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

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

	<b>Six Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (450,631)	\$ (4,045,094)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	136,670	395,728
Stock based compensation expense	86,894	23,499
Amortization of deferred stock compensation	-	17,885
Provision for uncollectible accounts	33,443	392,171
Non-cash impairment of goodwill and intangibles	-	367,588
Loss/(Gain) on disposal of property and equipment	-	25,350
Changes in assets and liabilities:		
Accounts receivable	116,459	(307,759)
Prepaid expenses and other current assets	26,942	38,111
Deposits and other assets	(2,200)	(2,795)
Accounts payable	147,644	404,333
Accrued liabilities	(89,537)	(114,715)
Net cash provided by (used in) operating activities	<u>5,684</u>	<u>(2,805,698)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for intangible assets	(8,169)	-
Net cash used in investing activities	<u>(8,169)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal repayments on capital lease obligations	(31,662)	(30,542)
Issuance of common stock for cash	2,150,000	250,000
Payments on notes payable	(250,000)	-
Net cash provided by financing activities	<u>1,868,338</u>	<u>219,458</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,865,853	(2,586,240)
CASH AND CASH EQUIVALENTS, beginning of period	<u>244,470</u>	<u>3,227,374</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,110,323</u>	<u>\$ 641,134</u>
Supplemental cash flow disclosures:		
Noncash financing and investing activities:		
Accrued and unpaid dividends	\$ 958	\$ 958
Interest paid	<u>\$ 85,314</u>	<u>\$ 2,270</u>
Income tax paid (received)	<u>\$ -</u>	<u>\$ -</u>

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

## **Note 1: Organization and Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements include the accounts of LiveDeal, Inc., a Nevada corporation, and its wholly owned subsidiaries (collectively, the "Company", "LiveDeal", "we", "us", or "our"). The Company primarily provides online marketing internet directory service for small businesses. Through its wholly owned subsidiary Velocity Marketing Concepts, Inc., LiveDeal offers an affordable way for businesses to extend their marketing reach to local, relevant customers and to manage their online presence.

The accompanying condensed consolidated balance sheet as of September 30, 2011, which has been derived from our audited consolidated financial statements, and the accompanying unaudited condensed consolidated financial statements as of March 31, 2012 and for the three and six months ended March 31, 2012 and March 31, 2011 have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, this interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and six months ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ending September 30, 2012. The accompanying note disclosures related to the interim financial information included herein are also unaudited. This financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2011 and for the year then ended included in the Company's Annual Report on Form 10-K for the year ended September 30, 2011.

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 made by management throughout the preparation of the condensed consolidated financial statements, including in conjunction with establishing allowances for customer refunds, non-paying customers, dilution and fees, analyzing the recoverability of the carrying amount of intangible assets, evaluating the merits of pending litigation, estimating forfeitures of stock-based compensation and evaluating the recoverability of deferred tax assets. Actual results could differ from these estimates.

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

Effective August 10, 2011, the Company implemented a 20-for-19 forward stock split with respect to issued and outstanding shares of its common stock via a stock dividend. All share and per share amounts have been retroactively restated for the effects of this stock split.

## Note 2: Balance Sheet Information

Balance sheet information is as follows:

	<u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
	<u>(unaudited)</u>	
Receivables, current, net:		
Accounts receivable, current	\$ 2,030,132	\$ 2,080,747
Less: Allowance for doubtful accounts	<u>(1,517,831)</u>	<u>(1,425,891)</u>
	<u>\$ 512,301</u>	<u>\$ 654,856</u>
Receivables, long term, net:		
Accounts receivable, long term	\$ 498,832	\$ 569,178
Less: Allowance for doubtful accounts	<u>(134,741)</u>	<u>(197,740)</u>
	<u>\$ 364,091</u>	<u>\$ 371,438</u>
Total receivables, net:		
Gross receivables	\$ 2,528,964	\$ 2,649,925
Less: Allowance for doubtful accounts	<u>(1,652,572)</u>	<u>(1,623,631)</u>
	<u>\$ 876,392</u>	<u>\$ 1,026,294</u>

Our accounts receivable consist primarily of amounts due from customers of our directory services business.

During the quarter ended March 31, 2012, the Company discovered it was incorrectly netting certain allowance accounts against gross receivables. From this review and for the quarter ended March 31, 2012, the Company concluded that it should gross up its receivables by approximately \$350,000 with an equal offset and increase to its allowance for doubtful accounts from the methodology formerly used by the Company. The net accounts receivable balances were not impacted for this period or any prior period.

Components of allowance for doubtful accounts are as follows:

	<u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
	<u>(unaudited)</u>	
Allowance for dilution and fees on amounts due from billing aggregators	\$ 1,638,870	\$ 1,477,769
Allowance for customer refunds	13,702	145,862
	<u>\$ 1,652,572</u>	<u>\$ 1,623,631</u>
	<u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
	<u>(unaudited)</u>	
Property and equipment, net:		
Leasehold improvements	\$ 201,476	\$ 201,476
Furnishings and fixtures	233,577	233,577
Office, computer equipment and other	426,931	426,931
	861,984	861,984
Less: Accumulated depreciation	<u>(770,381)</u>	<u>(690,783)</u>
	<u>\$ 91,603</u>	<u>\$ 171,201</u>
	<u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
	<u>(unaudited)</u>	
Intangible assets, net:		
Domain name and marketing related intangibles	\$ 1,517,769	\$ 1,509,600
Website and technology related intangibles	351,941	351,941
	1,869,710	1,861,541
Less: Accumulated amortization	<u>(696,279)</u>	<u>(639,207)</u>
	<u>\$ 1,173,431</u>	<u>\$ 1,222,334</u>

	<u>March 31,</u> <u>2012</u> <u>(unaudited)</u>	<u>September 30,</u> <u>2011</u>
<b>Accrued liabilities:</b>		
Deferred revenue	\$ 3,016	\$ 14,553
Accrued payroll and bonuses	39,421	63,043
Accruals under revenue sharing agreements	77,756	86,550
Accrued expenses - other	215,824	260,449
	<u>\$ 336,017</u>	<u>\$ 424,595</u>

### **Note 3: Restructuring Activities**

On November 30, 2010, the Company's Board of Directors (the "Board") approved a reduction in force that resulted in the termination of 36 employees, or approximately 60% of its workforce, effective December 1, 2010. The reduction in force was related to the Company's ongoing restructuring and cost reduction efforts and strategy of focusing its resources on the development and expansion of its core InstantProfile product, the successor to the Company's LEC-billed directory product. All terminated employees were involved in the marketing and sale of the Company's InstantPromote product by LiveDeal's subsidiary, Local Marketing Experts, Inc.

During the three and six months ended March 31, 2011, the Company incurred expenses of \$0 and \$99,319, respectively, in connection with the reduction in force, of which \$37,500 were incurred for one-time employee termination benefits payable in cash. The remaining expenses related to salaries and wages payable in cash to the affected employees. The Company did not incur any expenses in the three and six months ended March 31, 2012 in connection with any restructuring activities.

### **Note 4: Discontinued Operations**

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

The direct sales business segment accounted for no net revenues for both the three and six months ended March 31, 2012 and \$513,751 and \$1,236,137 of net revenues for the three and six months ended March 31, 2011, respectively. These revenues are included as part of income from discontinued operations, in the accompanying unaudited condensed consolidated statements of operations.

### **Note 5: Stock-based Compensation**

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

#### *Stock Options*

The Company recognized compensation expense of \$1,894 and \$3,788 during the three and six months ended March 31, 2012, respectively, and \$0 and \$23,499 during the three and six months ended March 31, 2011, respectively, related to stock option awards granted to certain employees and executives based on the grant date fair value of the awards, net of estimated forfeitures. The Company used the estimated forfeiture rate of awards of 50% based on actual forfeiture experience and other factors.

The following represents a summary of stock option activity for the six months ended March 31, 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 30, 2011	24,013	\$ 3.64	9	
Granted at market price	-			
Exercised	-			
Forfeited	(13,487)	\$ 3.53		
Outstanding at March 31, 2012	<u>10,526</u>	<u>\$ 3.77</u>	<u>9.1</u>	<u>\$ -</u>
Exercisable	<u>5,921</u>	<u>\$ 3.77</u>	<u>9.1</u>	<u>\$ -</u>

On January 13, 2012, the Company terminated the employment of its President and Chief Executive Officer. Pursuant to the terms of his employment with the Company, the termination resulted in the forfeiture of all 13,487 of his unvested stock options.

At March 31, 2012, the Company had \$4,828 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized over a weighted-average period of 1.8 years.

#### *Restricted Stock Awards*

The Company has previously granted shares of restricted stock to certain individuals. The following table sets forth changes in compensation-related restricted stock awards during the six months ended March 31, 2012:

Outstanding (unvested) at September 30, 2011	<u>1,342</u>
Granted	-
Forfeited	(26)
Vested	(1,053)
Outstanding (unvested) at March 31, 2012	<u>263</u>

Because the number of shares of the Company's outstanding unvested restricted stock became immaterial, the Company recognized all remaining expense associated with these unvested awards (net of estimated forfeitures) during the three months ended December 31, 2010.

#### *Stock Awards Granted to Directors*

In September 2011, in an effort to preserve cash, our Board, after consultation with the Compensation Committee, determined to compensate members of the Board for their monthly retainer and other services as directors and/or members of the Board's various standing committees through the award of shares of the Company's common stock under the Company's Amended and Restated 2003 Stock Plan (the "2003 Stock Plan"). Under the terms of this arrangement, each non-employee director receives a monthly award of a number of fully vested shares of the Company's common stock equal to their monthly board of director fees divided by the closing market price of the Company's common stock on the grant date. The Company granted an aggregate of 8,965 and 40,341 shares of common stock and recognized expense of \$37,100 and \$83,100 related to this agreement during the three and six months ended March 31, 2012, respectively. No such grants were made and no such expense was recognized during the three and six months ended March 31, 2011.

## **Note 6: Equity**

### December 2011 Equity Issuance

On December 12, 2011, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with each of Isaac Capital Group LLC ("ICG"), John Kocmur ("Kocmur"), Kingston Diversified Holdings LLC ("Kingston"), Augustus Gardini, L.P. ("Augustus") and Lausanne LLC ("Lausanne" and collectively with ICG, Kocmur, Kingston and Augustus, the "Purchasers") pursuant to which the Company's issued and sold of an aggregate of 1,612,899 shares (the "Shares") of the Company's common stock for an aggregate purchase price equal to \$2.0 million. Each of ICG, Kocmur and Kingston (the "Lead Purchasers") invested \$500,000 and were issued 403,225 shares of the Company's Common Stock, and each of Augustus and Lausanne invested \$250,000 and were issued 201,612 shares of the Company's Common Stock.

Pursuant to the Purchase Agreement:

- The per share purchase price was \$1.24, which was the closing bid price of the Company's common stock, as reported by the NASDAQ Capital Market, on December 12, 2011, the date of the closing of the purchase and sale.
- Each Lead Purchaser was given the right, until the date that purchaser beneficially owns less than five percent (5%) of the Company's issued and outstanding common stock, to nominate one director for election by the Company's stockholders at each meeting of the stockholders at which directors are to be elected, and to designate a replacement director to fill any vacancy if the director previously designated or nominated by that purchaser ceases for any reason to be a director.

#### March 2012 Equity Issuance

In March 2012, the Company issued 45,180 shares of its common stock to the Filakos Living Trust in exchange for the received payment of \$150,000.

#### Increase in Shares Under Amended and Restated 2003 Stock Plan

At the 2012 annual meeting of the Company's Stockholders, the stockholders approved a proposal to increase the number of shares of the Company's common stock available for issuance under the Company's Amended and Restated 2003 Stock Plan from 140,000 to 340,000.

#### **Note 7: Net Loss Per Share**

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

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

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Loss from continuing operations	\$ (259,222)	\$ (2,029,493)	\$ (454,440)	\$ (3,914,047)
Less: preferred stock dividends	(479)	(479)	(958)	(958)
Loss from continuing operations applicable to common stock	(259,701)	(2,029,972)	(455,398)	(3,915,005)
Income (loss) from discontinued operations	229	(285,207)	3,809	(131,047)
Net loss applicable to common stock	<u>\$ (259,472)</u>	<u>\$ (2,315,179)</u>	<u>\$ (451,589)</u>	<u>\$ (4,046,052)</u>
Weighted average common shares outstanding - basic and diluted	2,345,253	658,928	1,692,374	647,757
Earnings per share - basic and diluted:				
Loss from continuing operations	\$ (0.11)	\$ (3.08)	\$ (0.27)	\$ (6.04)
Discontinued operations	0.00	(0.43)	0.00	(0.20)
Net loss	<u>\$ (0.11)</u>	<u>\$ (3.51)</u>	<u>\$ (0.27)</u>	<u>\$ (6.24)</u>

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Options to purchase shares of common stock	24,014	12,813	24,014	12,813
Series E convertible preferred stock	127,840	127,840	127,840	127,840
Shares of non-vested restricted stock	1,342	2,283	1,342	2,283
	<u>153,196</u>	<u>142,936</u>	<u>153,196</u>	<u>142,936</u>

#### Note 8: Income Taxes

At March 31, 2012, the Company maintained a valuation allowance against its deferred tax assets. The Company determined this valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to the Company's ability to generate sufficient profits from its new business model.

During the three and six months ended March 31, 2012, the Company did not incur any income tax benefit associated with its net loss due to the establishment of a valuation allowance against deferred tax assets generated during the period.

#### Note 9: Commitments and Contingencies

##### Operating Leases and Service Contracts

As of March 31, 2012, 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	2012	2013	2014	2015	2016	Thereafter
Operating lease commitments	\$ 342,154	\$ 199,164	\$ 115,996	\$ 25,190	\$ 1,031	\$ 773	\$ -
Noncancelable service contracts	-	-	-	-	-	-	-
	<u>\$ 342,154</u>	<u>\$ 199,164</u>	<u>\$ 115,996</u>	<u>\$ 25,190</u>	<u>\$ 1,031</u>	<u>\$ 773</u>	<u>\$ -</u>

This table excludes minimum payment obligations under capital leases, which are set forth below.

##### Capital leases

As of March 31, 2012, future obligations under non-cancelable capital leases are as follows for the fiscal years ended September 30:

2012	\$ 5,345
2013	-
2014	-
2015	-
2016	-
Thereafter	-
Total minimum lease payments	5,345
Less imputed interest	(15)
Present value of minimum lease payments	5,330
Less: current maturities of capital lease obligations	5,330
Noncurrent maturities of capital lease obligations	<u>\$ -</u>

## Litigation

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of March 31, 2012, our annual results of operations or cash flows, or our liquidity.

The Company has not recorded any accruals pertaining to any legal proceedings as of March 31, 2012, as they did not meet the criteria for accrual under FASB ASC 450.

*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 in King County (Washington) Superior Court alleging that the Company's use of activator checks violated the Washington Consumer Protection Act. GES sought injunctive relief against the Company's use of activator checks, as well as damages in an amount equal to three times the damages allegedly sustained by the putative members of the class. LiveDeal denied the allegations and defended the litigation. The Company is currently negotiating a settlement and expects to file motions with the court jointly with the class representative and class counsel for preliminary and final approval once the settlement documents have been finalized.

### **Note 10: Concentration of Credit Risk**

The Company maintains cash balances at major banking institutions in California and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank, and bank balances periodically exceed the FDIC limit. At times, the Company's balances may exceed federally insured limits.

The Company has concentrations of receivables with respect to certain wholesale accounts and remaining holdbacks with Local Exchange Carrier ("LEC") service providers. Three such entities accounted for 37%, 28% and 15% of gross receivables at March 31, 2012 and 31%, 25%, and 20% of gross receivables at September 30, 2011, respectively.

### **Note 11: Segment Reporting**

The Company has historically had two reportable operating segments: Directory Services and Direct Sales - Customer Acquisition Services. During fiscal 2011, the Company discontinued its direct sales operations as described in Note 4 above. Accordingly, the Company's continuing operations consist of only one business segment.

All of the Company's revenues are derived from sales to external customers, from operations in the United States, and no single customer accounts for more than 10% of the Company's revenues.

### **Note 12: Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements ("ASU 2011-04") in GAAP and International Financial Reporting Standards ("IFRS"). Under ASU 2011-04, the guidance amends certain accounting and disclosure requirements related to fair value measurements to ensure that fair value has the same meaning in GAAP and IFRS and that their respective fair value measurement and disclosure requirements are the same. ASU 2011-04 is effective for public entities during interim and annual periods beginning after December 15, 2011. The Company does not believe that the adoption of this guidance will have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"). ASU 2011-05 requires companies to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The provisions of ASU 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Since ASU 2011-05 only amends the disclosure requirements concerning comprehensive income, the adoption of ASU 2011-05 will not affect the consolidated financial position, results of operations or cash flows of the Company.

### Note 13: Subsequent Events

On April 3, 2012 (the "Closing Date"), the Company entered into a Note and Warrant Purchase Agreement (the "Purchase Agreement") with Isaac Capital Group LLC ("ICG"), pursuant to which ICG agreed to purchase for cash up to \$2,000,000 in aggregate principal amount of the Company's unsecured Subordinated Convertible Notes ("Notes"). ICG is owned by Jon Isaac, the Company's President and Chief Executive Officer and a director on our Board, and prior to this transaction owned 403,225 shares, or 16.8% of the Company's outstanding common stock. The Company issued an initial Note in the principal amount of \$250,000 to ICG on the Closing Date. The Company intends to use the proceeds of the initial Note for working capital and other general corporate purposes.

The Purchase Agreement and the Notes, which are unsecured, provide that all amounts payable by LiveDeal to ICG under the Notes will be due and payable on April 3, 2013 (the "Maturity Date"), provided that LiveDeal has the option in its discretion to extend the Maturity Date by up to one (1) year if no Event of Default (as defined in the Purchase Agreement) has occurred and is continuing, and LiveDeal is in material compliance with its agreements and covenants under the Purchase Agreement and the Notes, as of the Maturity Date.

The Purchase Agreement and the Notes provide that:

- The Notes will accrue interest at an annual interest rate equal to 8%. All interest will be payable on the Maturity Date or upon the conversion of the applicable Note.
- The Company has the option to prepay each Note, in whole or in part, at any time without premium or penalty.
- Either the Company or ICG may elect at any time to convert all or any portion of any Note (including all principal and accrued interest) into a number of shares of the Company's common stock equal to the dollar amount being converted divided by the conversion price. Subject to adjustment for stock splits and combinations, share reclassifications, certain fundamental transactions and share issuances, the conversion price will be equal to 60% of the lesser of (i) \$3.96, which was the closing bid price of the Company's common stock on the Closing Date and (ii) the 10-day weighted average closing bid price of the Company's common stock for the 10 business days immediately preceding the date of the applicable notice of conversion. In connection with the conversion of any Note, we will also issue to ICG a warrant to purchase a number of shares of the Company's common stock equal to the number of shares issuable upon conversion. This number of shares is subject to adjustment in the event of stock splits or combinations, stock dividends, certain stock issuances, certain fundamental transactions, and the like. Each warrant will be exercisable for a period of five (5) years following the date of its issuance at an exercise price equal to 120% of the conversion price of the applicable Note (with the exercise being subject to adjustment under the same conditions as the number of shares for which the warrant is exercisable.) The warrants provide that they may be exercised in whole or in part and include a cashless exercise feature.
- The Notes provide that, upon the occurrence of any Event of Default, all amounts payable to ICG will become immediately due and payable without any demand of or notice.
- The Company may issue additional Notes in an aggregate principal amount of up to \$1,750,000 to ICG from time to time upon notice to ICG prior to April 3, 2013, provided that each Note must be in a principal amount of at least \$100,000.
- The Company (i) is required to provide certain financial and other information to ICG from time to time, (ii) must maintain its corporate existence, business, assets, properties, insurance and records in accordance with the requirements set forth in the Purchase Agreement, (iii) with certain exceptions, must not incur or suffer to exist any liens or other encumbrances with respect to the Company's property or assets, (iv) must not make certain loans or investments except in compliance with the terms of the Purchase Agreement, and (v) must not enter into certain types of transactions, including dispositions of its assets or business.

- The Notes provide that, upon the occurrence of any Event of Default, all amounts payable to ICG will become immediately due and payable without any demand of or notice.

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

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three and six months ended March 31, 2012, this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (hereafter referred to as “MD&A”) should be read in conjunction with the condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

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

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, 2011 under Item 1A “Risk Factors”, as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may generally affect our business, results of operations and financial position. Forward-looking statements speak only as of the date the statements were made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Any information contained on our website [www.livedeal.com](http://www.livedeal.com) or any other websites referenced in this Quarterly Report are not part of this Quarterly Report.

## **Our Company**

LiveDeal, Inc. primarily provides local internet marketing services for small businesses. LiveDeal, through our wholly owned subsidiary (Velocity Marketing Concepts, Inc.), offers an affordable way for small businesses to extend their marketing reach to local, relevant customers via the Internet.

We use the latest technologies to deliver best-in-breed online marketing solutions to our small business customers. We have online advertising solutions to help small businesses grow their company and realize online success.

### *Summary Business Description*

We deliver affordable acquisition services to the small business segment through the InstantAgency® Suite of products and services. These products are currently sold through Velocity Marketing Concepts which targets complimentary aspects of the small business market.

The InstantAgency products include:

InstantProfile distributes a small business' key contact and service information to the top Internet destinations (based on popularity), including search engines, internet directories, and social media networks. This gives the advertiser the ability to manage their business information in one location and maximize their reach to the many destinations a consumer may search for local business services.

InstantProfile's social media platform, InstantBUZZ, not only creates a presence for the advertiser in select social media networks, it also allows the advertiser to use one location to broadcast their messages across their entire social media network. By leveraging this automation, our customers avoid the need to manage multiple logins for individual websites and duplicate submissions, thereby decreasing the time required to broadcast their messages through multiple social media channels.

Additionally, InstantProfile customers enjoy a suite of communication tools that assist them in communicating directly with their customers and employees. These communication tools include a conferencing solution to host calls with up to 10 participants and an online electronic fax solution with unlimited faxes included.

The key attribute the InstantAgency® products and services all have in common is high value, low cost marketing options that service the many needs of the small business customer. The suite of products and services was strategically chosen to be entry level products and services that can grow with a small business as it grows. For those starting with the more customized products and services, InstantAgency® can continue to drive more online visitors and callers and in turn customers based on the customer budget. Our strategic advantage is the ability to service the small business customer regardless of their budget or online knowledge.

## **Recent Developments**

### *Financial Performance*

We have embarked on a significant change in business strategy to maintain our legacy business (directory services offering) and update it to meet current market requirements and move ahead of our competitors in this market segment. We have continued to experience a decline in revenues due to the stop in new sales in July 2011. However, we have also reduced our costs of sales, primarily due to fulfillment cost reductions, ongoing costs and expenses and reduced ongoing operating losses. Our losses have decreased from \$2,314,700 and \$4,045,094, for the three and six months ended March 31, 2011 to \$258,993 and \$450,631 for the three and six months ended March 31, 2012 respectively.

### *Discontinued Operations*

As part of our strategy to evaluate each of our business segments as separate entities, management noted that the direct sales business segment has incurred operating losses and declining revenues and did not fit with our change in strategic direction. Accordingly, in March 2011, we made the strategic decision to discontinue our direct sales business and product offerings. Prior financial statements have been restated to present the direct sales business segment as a discontinued operation.

The direct sales business segment accounted for no net revenues for the three and six months ended March 31, 2012 and \$513,751 and \$1,236,137 of net revenues for the three and six months ended March 31, 2011, respectively. Net revenues from this business segment are now included as part of income from discontinued operations in the accompanying unaudited condensed consolidated statements of operations.

#### *Restructuring Activities*

On November 30, 2010, the Board approved a reduction in force that resulted in the termination of 36 of our employees or approximately 60% of our workforce, effective December 1, 2010. The reduction in force was related to our ongoing restructuring and cost reduction efforts and strategy of focusing our resources on the development and expansion of our core InstantProfile product, the successor to our LEC-billed directory product. All terminated employees were involved in the marketing and sale of our InstantPromote product by its subsidiary, Local Marketing Experts, Inc.

During the three and six months ended March 31, 2011, we incurred expenses of \$0 and \$99,319 respectively, in connection with this reduction in force. Of the \$99,319 incurred in the fiscal quarter ended December 31, 2011, \$37,500 were incurred for one-time employee termination benefits payable in cash and the remaining expenses related to salaries and wages payable in cash to the affected employees. No expenses were incurred in the three and six months ended March 31, 2012 in connection with the restructuring activities.

#### *Termination and Appointment of Principal Officers*

On January 13, 2012, we terminated the employment of Kevin A. Hall, our President and Chief Executive Officer, effective as of January 20, 2012. Pursuant to the terms of Mr. Hall's employment agreement, if he was terminated without cause, upon his resignation from the Board and execution of a customary release, Mr. Hall would be entitled to receive (among other things) a lump sum severance payment equal to three months of his current base salary, or \$56,250. We have not made any severance payments to Mr. Hall because the parties have disputed the circumstances and consequences of his termination.

Effective as of January 20, 2012, our Board appointed Jon Isaac to serve as our President and Chief Executive Officer. Mr. Isaac was previously appointed to our Board by ICG on December 12, 2011, pursuant to the terms of the Securities Purchase Agreement described above under the heading "--Recent Developments-Equity Issuance). Mr. Isaac has agreed to be paid an annual salary of \$1 for his services as President and Chief Executive Officer, and will be eligible to receive bonuses in the forms and amounts determined by our Compensation Committee in its sole discretion. We do not have a written employment agreement with Mr. Isaac.

#### *Changes in Terms of Employment of Our Chief Financial Officer*

Effective February 27, 2012, the terms of the May 20, 2011 employment agreement between LiveDeal and the Chief Financial Officer, Lawrence W. Tomsic were amended. The revision provides for a salary of \$110,000 ( a 50% reduction) for the remainder of the contract and all 10,526 stock options will fully vest on May 20, 2012.

#### *Appointments and Resignation to the Board of Directors*

On January 19, 2012, Sheryle Bolton resigned as a member of the Board. Ms. Bolton formerly served as our Lead Director and was a member of our Audit Committee. Her resignation did not result from any disagreement with us on any matter relating to our operations, policies, or practices.

On January 25, 2012, the Board appointed Dennis Gao as a director to fill the vacancy created by Ms. Bolton's resignation. Mr. Gao was subsequently elected to our Board at our annual meeting of stockholders held on February 23, 2012. Mr. Gao was also appointed as a member of the Board's Audit Committee.

#### *Formation of Restructuring Committee*

In connection with the Purchase Agreement described in Note 6, the Board also established an ad hoc special committee (the "Restructuring Committee") to evaluate a potential restructuring of the Company. The Board appointed each of the New Directors, as well as existing directors Sheryle Bolton and Thomas Clarke, to serve on the Restructuring Committee. Ms. Bolton no longer serves on the Restructuring Committee effective immediately upon her resignation from the Board of Directors.

### *Change in Independent Registered Public Accounting Firm*

On January 10, 2012, the Company dismissed Mayer Hoffman McCann P.C. (“MHM”) and approved the engagement of Kabani & Company, Inc (“Kabani”) to replace MHM as our independent registered public accounting firm. Both actions were approved by our board’s Audit Committee. At the 2012 annual meeting of our stockholders on February 23, 2012, our stockholders ratified the appointment of Kabani as our independent registered public accounting firm.

### **Results of Operations**

The following sets forth a discussion of our financial results for the three and six months ended March 31, 2012 as compared to the three and six months ended March 31, 2011. In evaluating our business, management reviews several key performance indicators including new customers, total customers in each line of business, revenues per customer, and customer retention rates. However, given the changing nature of our business strategy, we do not believe that presentation of these metrics would reveal any meaningful trends in our operations that are not otherwise apparent from the discussion of our financial results below.

#### *Net Revenues*

	<b>Net Revenues</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended March 31, \$	821,701	\$ 1,118,165	\$ (296,464)	(27)%
Six Months Ended March 31, \$	1,673,114	\$ 2,112,787	\$ (439,673)	(21)%

Net revenues decreased in the second quarter and first six months of fiscal 2012 as compared to the second quarter and first six months of fiscal 2011 primarily due to the fact that new sales were paused July 15, 2011 when we began exploring new sales programs and improving our marketing and fulfillment services.

#### *Cost of Services*

	<b>Cost of Services</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended March 31, \$	226,608	\$ 1,512,783	\$ (1,286,175)	(85)%
Six Months Ended March 31, \$	462,427	\$ 2,407,360	\$ (1,944,933)	(81)%

Cost of services decreased in the second quarter and first six months of fiscal 2012 as compared to the second quarter and first six months of fiscal 2011 primarily due to decreased costs associated with the decline in the number of our customers and the provisioning of fulfillment activities are now done by us rather than outside vendors.

#### *Gross Profit*

	<b>Gross Profit</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended March 31, \$	595,093	\$ (394,618)	\$ 989,711	251%
Six Months Ended March 31, \$	1,210,687	\$ (294,573)	\$ 1,505,260	511%

Gross profit increased in the second quarter and first six months of fiscal 2012 as compared to the second quarter and first six months of fiscal 2011 primarily due to the decreased cost of fulfillment services as described above.

#### *General and Administrative Expenses*

	<b>General and Administrative Expenses</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended March 31, \$	821,434	\$ 1,611,382	\$ (789,948)	(49)%
Six Months Ended March 31, \$	1,588,242	\$ 3,583,951	\$ (1,995,709)	(56)%

General and administrative expenses decreased in the second quarter of fiscal 2012 as compared to the second quarter of fiscal 2011 primarily due to the following:

- Decreased compensation costs of approximately \$241,000 reflecting the reduction of employees from 21 at March 31, 2011 to 10 at March 31, 2012;
- Other expense decreases of \$113,000, including, but not limited to, rent and utilities, services and fees, office and supplies expenses, office closure expenses, travel and entertainment and other corporate expenses associated with our office closures, reductions in force and other cost containment initiatives;
- Decreased professional fees of approximately \$313,000 related to reductions in IT consulting fees of \$88,000, legal fees of \$88,000, accounting fees of \$1,000, marketing consultant fees of \$14,000, outside sales service costs of \$85,000 and other miscellaneous consultants costs of \$37,000; and
- Decreased depreciation and amortization expense of \$123,000.

General and administrative expenses decreased in the first six months of fiscal 2012 as compared to the first six months of fiscal 2011 primarily due to the following:

- Decreased compensation costs of approximately \$836,000 reflecting the reduction of employees from 21 at March 31, 2011 to 10 at March 31, 2012;
- Other expense decreases of \$278,000, including, but not limited to, rent and utilities, services and fees, office and supplies expenses, office closure expenses, travel and entertainment and other corporate expenses associated with our office closures, reductions in force and other cost containment initiatives;
- Decreased professional fees of approximately \$623,000 related to reduction in IT consulting fees of \$144,000, legal fees of \$192,000, accounting fees of \$14,000, marketing consultant fees of \$28,000, outside sales service costs of \$181,000 and other miscellaneous consultants costs of \$64,000; and
- Decreased depreciation and amortization expense of \$259,000.

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

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Compensation for employees, officers and directors	\$ 295,333	\$ 341,325	\$ 340,888	\$ 422,901	\$ 536,269
Professional fees	226,403	143,805	360,221	338,960	539,950
Depreciation and amortization	67,391	69,281	88,868	79,227	190,254
Other general and administrative costs	232,307	212,397	174,887	291,448	344,909

*Sales and Marketing Expenses*

<b>Sales and Marketing Expenses</b>					
	2012	2011	Change	Percent	
Three Months Ended March 31,	\$ 519	\$ 23,183	\$ (22,664)	(98)%	
Six Months Ended March 31,	\$ 579	\$ 36,775	\$ (36,196)	(98)%	

Sales and marketing expenses decreased in the second quarter and first six months of fiscal 2012 as compared to the second quarter and first six months of fiscal 2011 primarily due to the reduction in spending for marketing materials.

## Operating Loss

	Operating Loss			
	2012	2011	Change	Percent
Three Months Ended March 31, \$	(226,860)	(2,029,183)	\$ 1,802,323	89%
Six Months Ended March 31, \$	(378,134)	(3,915,299)	\$ 3,537,165	90%

The reduction in operating loss for the second quarter and first six months of fiscal 2012 as compared to the second quarter and first six months of 2011 reflect a variety of changes in net revenues, cost of sales, general and administrative expenses and sales and marketing expenses, each of which is described above.

## Total Other Income (Expense)

	Total Other Income (Expense)			
	2012	2011	Change	Percent
Three Months Ended March 31, \$	(32,362)	(310)	\$ (32,052)	(10339)%
Six Months Ended March 31, \$	(76,306)	1,252	\$ (77,558)	(6195)%

For the second quarter and first six months of fiscal 2012, we paid \$41,000 and \$85,000 in interest expense, respectively, primarily for the Everest Group loan.

## Income from Discontinued Operations

	Income (Loss) from Discontinued Operations			
	2012	2011	Change	Percent
Three Months Ended March 31, \$	229	(285,207)	\$ 285,436	100%
Six Months Ended March 31, \$	3,809	(131,047)	\$ 134,856	103%

In March 2011, we decided to discontinue the direct sales business and closed that business segment in May 2011 and reflected the change for previously reported periods. For more information, see discussions under the heading "Recent Developments-Discontinued Operations" above. The decline in profitability between the three and six months ended March 31, 2012 as compared to the three and six months ended March 31, 2011 reflects a decline in revenues as we discontinued that business in May 2011.

## Net Loss

	Net Loss			
	2012	2011	Change	Percent
Three Months Ended March 31, \$	(258,993)	(2,314,700)	\$ 2,055,707	89%
Six Months Ended March 31, \$	(450,631)	(4,045,094)	\$ 3,594,463	89%

The reduction in net loss for the second quarter and first six months of fiscal 2012 as compared to the second quarter and first six months of 2011 are primarily attributable to changes in operating income, other income (expense) and discontinued operations, each of which is described above.

## Liquidity and Capital Resources

Net cash generated in operating activities was approximately \$6,000 for the first six months of fiscal 2012 as compared to cash used in operating activities of approximately \$2,805,000 for the first six months of fiscal 2011, an improvement of \$2,811,000. A decrease of \$3,594,000 in our net loss accounted for the majority of this variance. The cash impacts of the decreased net loss were partially offset by a reduction of non-cash expenses of \$965,000 including depreciation expense, stock compensation and bad debt expense. Changes in working capital and other current assets caused an increase in operating cash flows of \$199,000 during the first six months of fiscal 2012 as compared to an increase in operating cash flows of \$17,000 for the first six months of 2011. This working capital variance resulted primarily from the changes in accounts receivable and accounts payable. Our primary source of cash inflows has historically been net remittances from directory services customers processed in the form of ACH billings and LEC billings.

We discontinued the direct sales services business in March 2011 as discussed above under the heading "Recent Developments-Discontinued Operations". We previously received upfront payments averaging approximately one-sixth of the gross contract amount. Subsequent payments were received on an installment basis after the application of the initial payment amounts and were billed ratably over the remaining life of the contract.

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

In March 2012, we invested \$8,000 in intangible assets primarily trade names and software development.

During the first six months of fiscal 2012, our cash flows from financing activities consisted of \$2,150,000 received from the issuance of stock to investors, partially offset by \$32,000 of payments on capital lease obligations and \$250,000 of repayments of notes payable. During the first six months of fiscal 2011, our cash flows from financing activities consisted of \$250,000 received from the issuance of stock to an investor, partially offset by \$31,000 of payments on capital lease obligations.

We had working capital of \$869,000 as of March 31, 2012 compared to \$(1,050,000) as of September 30, 2011 with current assets increasing by \$1,696,000 and current liabilities decreasing by \$223,000 from September 30, 2011 to March 31, 2012. Increases in working capital are primarily attributable to the proceeds received from the issuance of stock to our investors partially offset by our operating net loss.

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

### *Contractual Obligations*

The following table summarizes our contractual obligations at March 31, 2012 and the effect such obligations are expected to have on our future liquidity and cash flows:

	Payments Due by Fiscal Year						Thereafter
	Total	2012	2013	2014	2015	2016	
Operating lease commitments	\$342,154	\$199,164	\$115,996	\$ 25,190	\$ 1,031	\$ 773	\$ -
Capital lease commitments	5,345	5,345	-	-	-	-	-
Noncancellable service contracts	-	-	-	-	-	-	-
	<u>\$347,499</u>	<u>\$204,509</u>	<u>\$115,996</u>	<u>\$ 25,190</u>	<u>\$ 1,031</u>	<u>\$ 773</u>	<u>\$ -</u>

### *Off-Balance Sheet Arrangements*

At March 31, 2012, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

#### ITEM 4. CONTROLS AND PROCEDURES

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

*Changes in Internal Controls Over Financial Reporting.* There have been no changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended March 31, 2012 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of March 31, 2012, our annual results of operations or cash flows, or our liquidity.

#### **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 in King County (Washington) Superior Court alleging that the Company's use of activator checks violated the Washington Consumer Protection Act. GES sought injunctive relief against the Company's use of activator checks, as well as damages in an amount equal to three times the damages allegedly sustained by the putative members of the class. LiveDeal denied the allegations and defended the litigation. The Company is currently negotiating a settlement and expects to file motions with the court jointly with the class representative and class council for preliminary and final approval once the settlement documents have been finalized.

### **ITEM 1A. RISK FACTORS**

#### **Risks Related to Our Business**

##### **We may lose our LEC billing channels**

The largest LEC billing companies have issued a notice to all clearinghouses that they will cease billing for third parties as of December 28, 2012. We anticipate that the three remaining LEC's which have not announced that they will terminate their LEC billing contracts will also cease processing for third parties as of the end of this calendar year. We plan to continue to bill our LEC billing customers by switching to alternative billing methods we currently use for our other customers. The change in billing methods may adversely impact our business by increasing cancellation and refund requests from our LEC billing companies.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**

On March 30, 2012, we entered into a Securities Purchase Agreement with The Filakos Living Trust, an unaffiliated investor, pursuant to which we issued the trust 45,180 shares of our common stock in exchange for \$150,000. We offered and sold these shares without registration under the Securities Act of 1933 to an accredited investor in reliance upon the exemption from the registration contained in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. The shares may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Securities Act. An appropriate legend has been placed on the share certificate we issued.

## ITEM 6. EXHIBITS

The following exhibits are being filed herewith:

<u>Exhibit Number</u>	<u>Description</u>
10.1	Note and Warrant Purchase Agreement dated April 3, 2012, by and between LiveDeal, Inc and Isaac Capital Group LLC
10.2	Senior Subordinated Convertible Note dated April 3, 2012, issued to Isaac Capital Group LLC
10.3	Subordinated Guaranty, dated April 3, 2012, in favor of Isaac Capital Group LLC
10.4	Form of Warrant issuable upon conversion of Senior Subordinated Convertible Note dated April 3, 2012
31.1	Certification of Jon Isaac pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Lawrence W. Tomsic pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Section 1350 Certification of Jon Isaac and Lawrence W. Tomsic

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SIGNATURES

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

LiveDeal, Inc.

Dated: May 15, 2012

/s/ Lawrence W. Tomsic

Lawrence W. Tomsic  
Chief Financial Officer

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LIVEDEAL, INC.

NOTE AND WARRANT PURCHASE AGREEMENT

Up to \$2,000,000 Principal Amount  
Senior Subordinated Convertible Promissory Notes  
and  
Warrants for the Purchase of  
Shares of Common Stock  
\$.001 Par Value Per Share

April 3, 2012

To Isaac Capital Group LLC  
3525 Del Mar Heights Road, Suite 765  
San Diego, California 92130

The undersigned, LiveDeal, Inc., a Nevada corporation (the "Company"), proposes to issue and sell to Isaac Capital Group LLC, a Delaware limited liability company (the "Purchaser") for cash up to \$2,000,000 in principal amount of the Company's Senior Subordinated Convertible Notes, comprised of \$250,000 in principal amount on the date hereof and up to \$1,750,000 of other Senior Subordinated Convertible Notes issued and sold pursuant to Section 1.2 due in accordance with the terms thereof (collectively, the "Notes"), and Warrants (the "Warrants") for the purchase of the outstanding Common Stock (defined below) of the Company on the terms and conditions set forth in each such Warrant.

The Notes and Warrants will be issued pursuant to and subject to the terms and conditions of this Agreement (the terms "Agreement" or "Purchase Agreement" as used herein or in any Exhibit or Schedule hereto shall mean this Agreement and the Exhibits and Schedules hereto individually and collectively as they may from time to time be modified or amended).

As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" shall mean, with respect to any Person, a stockholder, executive officer, director, manager or any other Person directly or indirectly controlling, controlled by or under common control with such Person, where "control" means the possession, directly or indirectly, of power to direct or cause the direction of the management or policies of an entity.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Nevada are authorized or required by law to close.

"Change of Control Transaction" shall mean (a) a sale, lease or other disposition of assets or properties of the Company and its Subsidiaries (calculated on a consolidated basis)

having a book value of fifty-one percent (51%) or more of the book value of all the assets and properties thereof, or (b) any transaction in which one or more persons (other than a holder of capital stock of the Company on the First Closing Date, or an Affiliate of or successor to any such holder) shall after the First Closing Date directly or indirectly acquire from the holders thereof, by purchase or in a merger, consolidation or other transfer or exchange of outstanding capital stock, ownership of or control over capital stock of the Company (or securities exchangeable for or convertible into such stock or interests) entitled to elect a majority of the Company's Board of Directors or representing at least fifty-one percent (51%) of the number of shares of common stock outstanding.

"Closing" shall have the meaning set forth in Section 1.4 hereof.

"Closing Date" shall have the meaning set forth in Section 1.4 hereof.

"Code" shall have the meaning set forth in Section 2.3 hereof.

"Common Stock" shall mean the common stock of the Company, par value \$.001 per share; provided, however, that, in the event of any capital reorganization or reclassification of the common stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale or transfer of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or similar equity interests with respect to or in exchange for common stock, then the term "Common Stock" shall mean, for all purposes, such stock, securities or similar equity interests.

"Disclosure Reports" shall mean all reports, schedules, forms, statements, and other documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act and/or the Exchange Act, and the rules and regulations promulgated under each, including pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as all amendments to such filings and reports and all exhibits and documents incorporated by reference therein or attached thereto, that have been filed as of the applicable Closing.

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"Event of Default" shall have the meaning set forth in Section 7 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Existing Loan Agreement" shall mean that certain Loan Agreement dated May 13, 2011, as amended, restated, supplemented or otherwise modified from time to time, for a loan in principal amount of \$1,000,000 by Everest Group LLC to Company and the other Debtors (as defined and set forth therein).

"GAAP" shall mean generally-accepted accounting principles within the United States of America, consistently applied.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantors" shall have the meaning set forth in Section 1.5 hereof.

"Guaranty" shall have the meaning set forth in Section 4.1.3 hereof.

"Indemnified Parties" shall have the meaning set forth in Section 12.6 hereof.

"Indemnifying Parties" shall have the meaning set forth in Section 12.6 hereof.

"Initial Purchase" shall have the meaning set forth in Section 1.1 hereof.

"Interest Rate" shall have the meaning set forth in Section 1.1 hereof.

"Material Adverse Effect" shall have the meaning set forth in Section 3.4 hereof.

"Material Indebtedness" shall mean indebtedness incurred pursuant to the Existing Loan Agreement.

"Maturity Date" shall have the meaning set forth in Section 1.1 hereof.

"Notes" shall have the meaning set forth in the Preamble.

"Organizational Documents" shall mean, as to any corporation, limited liability company or limited partnership (a) its certificate or articles of incorporation or formation or certificate of limited partnership, and all amendments thereto, and (b) its By-laws, limited liability company agreement or partnership agreement, and all amendments thereto.

"Permitted Indebtedness" shall mean (a) indebtedness created hereby, (b) indebtedness evidenced by Subsequent Purchases issued in compliance with Section 1.2. hereof, and (c) the Existing Loan Agreement.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

"Purchaser" shall have the meaning set forth in the Preamble.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Subsequent Purchase" shall have the meaning set forth in Section 1.2 hereof.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any

contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

"Transaction Documents" shall mean the Purchase Agreement, the Notes (including each Guaranty affixed thereto) and the Warrants.

"Warrants" shall have the meaning set forth in the Preamble.

"Warrant Holder" or "Warrantholder" shall mean shall mean the registered holder or holders of the Warrants or any related Warrant Shares.

"Warrant Securities" shall mean, collectively, the Warrant Shares and the Warrants.

"Warrant Shares" shall mean Shares of Common Stock issued or issuable upon exercise of the Warrants.

In connection with the issuance of the Notes and the Warrants, the Company agrees with each of the Purchaser and the Purchaser severally agree with the Company as follows:

Section 1. Purchase and Sale of the Notes and Warrants.

1.1 Initial Issuance of the Notes. Subject to the terms and conditions of this Agreement, the Company agrees to sell to Purchaser, and Purchaser agrees to purchase from the Company for cash, on the First Closing Date, at par, a Note in the principal amount of \$250,000 (the "Initial Purchase"). Such Note shall (a) be dated the date hereof, (b) be substantially in the form of Exhibit A hereto with the blanks appropriately completed in conformity herewith, (c) be payable on the date which is one year from the date hereof (the "Maturity Date") and (d) bear interest (based on a 360 day year counting actual days elapsed) from the date of issuance thereof until due and payable, unless earlier prepaid in full or converted, at the rate equal to eight percent (8.00%) per annum (the "Interest Rate"). All interest on each Note shall be payable in cash on the Maturity Date or upon prepayment in full or conversion of such Note. Notwithstanding anything to the contrary in this Agreement or the Notes, the Maturity Date may be extended for up to one (1) year at the option of the Company in the event that no Event of Default has occurred and is continuing, and the Company is in material compliance with its agreements and covenants hereunder and under the Notes, as of the Maturity Date.

1.2 Subsequent Issuance of Notes. Purchaser hereby agrees, for a period of one (1) year from the date hereof, upon at least three (3) Business Days advance written notice from the Company, to purchase from the Company for cash, additional Notes (each a "Subsequent Purchase") in an aggregate principal amount of up to \$1,750,000; provided, however, that no Subsequent Purchase shall be in an amount that is less than \$100,000. Each of such Notes shall (a) be dated the date of issuance thereof, (b) be substantially in the form of

Exhibit A hereto with the blanks appropriately completed in conformity herewith, (c) be payable on the Maturity Date and (d) bear interest at the Interest Rate.

1.3 Payment of Purchase Price. The purchase price for the Notes shall be payable on the date of issuance thereof in cash by wire transfer of immediately available funds pursuant to the Company's written instructions.

1.4 Closing Date. The closing of the Initial Purchase and sale of the Notes shall take place upon the satisfaction or waiver of the conditions set forth in Section 4.1 hereof, on the date this Agreement is executed and delivered (the "First Closing Date"), at such time and place as shall be mutually agreed to by the parties hereto. The parties shall reasonably agree as to the time and place for closings with respect to any Subsequent Purchases (such closings, together with the initial closing, the "Closings" and each a "Closing"). At each Closing, the Company shall deliver to the Purchaser the Note purchased by Purchaser and the Warrants to be issued to the Purchaser at such Closing and the Purchaser shall deliver the purchase price (less any agreed deductions) by wire transfer of immediately available funds pursuant to the Company's written instructions.

1.5 Guaranties. The obligations of the Company under this Agreement, the Notes and the other Transaction Documents shall be guaranteed, as and to the extent provided in each Guaranty affixed to the Notes, by each current and future Subsidiary of the Company (collectively, the "Guarantors"). The current Subsidiaries of the Company are set forth on Exhibit B.

## Section 2. Warrants.

2.1 Issuance. As part of each Closing, the Company shall issue to the Purchaser a Warrant to purchase Warrant Shares at an exercise price equal to a 20% premium to the conversion price of the applicable Notes to which such Warrants correspond. The Warrant shall be entitled to a cashless exercise exercisable and for a term of five (5) years.

2.2 Warrant Certificates. Each Warrant shall be represented by a warrant certificates substantially in the form of Exhibit C hereto, with all blanks completed in conformity with the terms of this Agreement.

2.3 Original Issue Price. The Company, on the one hand, and the Purchaser, on the other hand, having adverse interests and as a result of arm's length bargaining, agree that, for the purpose and within the meaning of Section 1271 et seq. of the Internal Revenue Code of 1986, as amended (the "Code"), the aggregate purchase price for each Note and the corresponding Warrants shall be determined by the Company in its reasonable discretion. Each of the Company and the Purchaser acknowledges and agrees that this Agreement and the issuance of the Warrants hereunder in connection with the Notes does not create original issue discount on the Notes other than that indicated by the allocation of the purchase price provided above, for accounting or federal income tax purposes, and they agree to adhere to this Agreement for such purposes and not to take any action inconsistent herewith.

Section 3. Representations and Warranties.

In order to induce the Purchaser to purchase the Notes and Warrants, the Company hereby represents and warrants to, and agrees with, the Purchaser and its respective successors, endorsees and assigns that, as of the date hereof with respect to the Initial Purchase and as of the date of each Closing for each Subsequent Purchase that, except as set forth in the Disclosure Reports:

3.1 No Default. No Event of Default and no event, condition, act or omission to act, which with the giving of notice or the passage of time, or both, would constitute an Event of Default, has occurred and is continuing or will have occurred and be continuing at the time of or immediately after the Closing Date.

3.2 Organizational Documents. Each of the Company and its Subsidiaries has delivered or made available to the Purchaser an accurate and complete copy of its Organizational Documents and all amendments thereto.

3.3 Existence and Qualification. Each of the Company and its Subsidiaries is a corporation, limited liability company or limited partnership validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation. Each of the Company and its Subsidiaries is duly qualified to do business and in good standing as a foreign entity in each jurisdiction where its failure to so qualify or be in good standing as a foreign entity could reasonably be expected to have a material adverse effect on the business, operations, properties or financial condition of the Company and its Subsidiaries, taken as a whole, or the ability of the Company and its Subsidiaries, taken as a whole, to perform their obligations under the Transaction Documents (a "Material Adverse Effect").

3.4 Power and Authority.

(a) Each of the Company and its Subsidiaries has all corporate, limited liability company or partnership power and authority necessary to own, operate or lease its properties and assets and to conduct its business as now conducted by it.

(b) Each of the Company and its Subsidiaries has all corporate power and authority necessary to borrow under the Purchase Agreement and to issue the Notes and the Warrants, and to execute, deliver and perform the Transaction Documents to which it is a party.

(c) Each of the Company and its Subsidiaries has taken all corporate action required to authorize the borrowings under the Purchase Agreement, the issuance of the Notes and the Warrant, and the execution, delivery and performance of the Transaction Documents to which it is a party.

(d) Each of the Guarantors has all corporate, limited liability company or partnership power and authority and has taken all action required to authorize the execution, delivery and performance of the Transaction Documents to which it is a party.

3.5 Due Execution and Delivery. Each of the Company and its Subsidiaries has duly executed and delivered each of the Transaction Documents to which it is a party. The

certificates representing the Notes and Warrants have been duly and properly executed and delivered.

3.6 Consents; Governmental Approvals. Except for such consents as may be required pursuant to the Existing Loan Agreement, no consent or approval of any person, firm or corporation, and no consent, license, approval or authorization of, or registration, filing or declaration with, any governmental authority, bureau or agency is required to be obtained or made by or on behalf of the Company or any of its Subsidiaries in connection with the issuance of the Notes or the Warrants, the execution, delivery or performance of any of the Transaction Documents or the completion of the transactions contemplated thereby, except for the approval of the Board of Directors of the Company and the approval of the managers or general partners of the Subsidiaries, as applicable, the approval of the stockholders of the Company and the approval of the members or the limited partners of the Subsidiaries, as applicable, each of which shall have been obtained or made prior to the Closing Date.

3.7 Binding Effect. Each of the Transaction Documents to which any of the Company or any of its Subsidiaries is a party is its legal, valid and binding obligation, enforceable against Company or such Subsidiary in accordance with its terms.

3.8 Absence of Conflicts. The issuance of the Notes and the Warrant by the Company, and the execution, delivery and performance of the Transaction Documents by the Company and its Subsidiaries do not and will not (a) conflict with or violate any provision of the Organizational Documents of the Company or the Subsidiaries, (b) except for the Existing Loan Agreement, conflict with or result in a violation, breach or default by the Company or any of its Subsidiaries under (i) any provision of any existing statute, law, rule or regulation binding on it or any order, judgment, award, decree, license or authorization of any court or governmental instrumentality, authority, bureau or agency binding on it, or (ii) any mortgage, indenture, lease or other contract, agreement, instrument or undertaking to which it is a party or will be a party immediately after the Closing Date, or by which or to which it or any of its property or assets is now or immediately after the Closing Date will be bound or subject, or (c) result in the creation or imposition of any lien, encumbrance or other charge on any of its properties or assets, except for liens permitted by Section 6.1 or liens in favor of the Purchaser created by the Purchase Agreement and Transaction Documents, except in the case of clause (b) for violations, breaches or defaults that would not reasonably be expected to have a Material Adverse Effect.

3.9 Litigation. No litigation, proceedings or investigations of or before any court, arbitrator or governmental authority are currently pending or threatened against Company or any of its Subsidiaries or pending or threatened against any other person, firm or corporation, which (a) question the validity or the enforceability of, or otherwise seek to restrain the performance of, any of the Transaction Documents or any actions taken or to be taken thereunder, (b) in any one case are material or (c) in the aggregate are reasonably likely to have a Material Adverse Effect.

3.10 No Defaults; Adverse Changes. Neither the Company nor any of its Subsidiaries is, or immediately after the Closing Date will be, in default under or in violation of (a) its Organizational Documents, (b) except for the Existing Loan Agreement, any agreement or instrument to which it is a party or will then be a party, (c) any statute, rule, writ, injunction,

judgment, decree, order or regulation of any court or governmental authority having jurisdiction over it, or (d) any license, permit, certification or approval requirement of any customer, supplier, governmental authority or other person, in any way that, in the case of (b), (c) or (d) above, could reasonably be expected to have a Material Adverse Effect. There is no proposed legislative or regulatory change, any threatened or pending revocation of any license or right to do business with respect to the Company or any of its Subsidiaries, or any threatened or pending labor trouble, condemnation, requisition or embargo that could reasonably be expected to have a Material Adverse Effect.

3.11 Financial Statements. The Purchaser have been furnished with audited consolidated financial statements of the Company and its Subsidiaries for the fiscal year ended December 31, 2011 or, with respect to a Subsequent Purchase, the audited consolidated financial statements of the Company and its Subsidiaries for the most recently completed fiscal year as required by Section 5.1.1 and the unaudited consolidated financial statements of the Company and its Subsidiaries for the most recently completed fiscal quarter as required by Section 5.1.2. Such financial statements have been prepared in accordance with GAAP, consistently applied, and fairly present the financial condition and the results of operations of the Company and its Subsidiaries, as the case may be, subject, in the case of interim financial statements, to (i) year-end adjustments, which individually and in the aggregate will not be materially adverse, and (ii) the absence of footnotes.

#### Section 4. Conditions Precedent.

4.1 Conditions to the Purchaser's Obligations on each Closing Date. The obligation of Purchaser to purchase Notes and the Warrants hereunder at each Closing shall be subject to the satisfaction of each of the following conditions precedent on the date of such Closing:

4.1.1 Representations. All representations and warranties made in Section 3 of this Agreement and in any other agreement, certificate or instrument furnished to the Purchaser in connection herewith, shall be true and correct with the same force and effect as though such representations and warranties had been made at the time of, and immediately after giving effect to, the sale of the Notes and the Warrant on the Closing Date.

4.1.2 No Default. At the time of and immediately after giving effect to the sale of the Notes and the Warrant on the Closing Date there shall exist no Event of Default and no condition, event or act that, with the giving of notice or lapse of time, or both, would constitute such an Event of Default.

4.1.3 Guaranty. (a) The Purchaser shall have received a Guaranty in favor of the Purchaser dated as of the First Closing Date, affixed to the applicable Note and in form and substance reasonably satisfactory to the Purchaser, duly executed by each of the Guarantors (the "Guaranty") and, with respect to each Closing Date of a Subsequent Investment, shall have received all joinders thereto required pursuant to Section 5.11.

4.1.4 No Adverse Change. There shall have been (i) since December 31, 2011 or, with respect to a Subsequent Purchase, the most recently completed fiscal year, no material adverse change in the assets, business, operations, properties or financial condition of the Company and its Subsidiaries, taken as a whole, (ii) no material adverse change or disruption in the financial markets, the capital markets or the industries of the Company and its Subsidiaries that could affect the Company or the Purchaser and (iii) no litigation commenced which, if successful, could reasonably be expected to have a Material Adverse Effect or which would in any way interfere with the transactions contemplated by this Agreement.

4.1.5 Additional Documents. Purchaser shall have received all such other agreements, documents, instruments, approvals, certificates, opinions and information as Purchaser shall reasonably request in connection with this Agreement, the Notes, the Warrants, the other Transaction Documents and the transactions herein and therein contemplated, including, without limitation, those specified in the list of closing documents delivered by the Purchaser to the Company, all of which shall be in form and substance reasonably satisfactory to the Purchaser and its counsel.

#### Section 5. Affirmative Covenants.

The Company covenants and agrees that it will:

5.1 Financial Statements and Information. Furnish or cause to be furnished to each of the Purchaser the following financial statements and information:

5.1.1 As soon as available, but in any event within one hundred twenty (120) days after the close of each fiscal year of the Company, audited consolidated and unaudited consolidating balance sheets of the Company and of each of its Subsidiaries as of the close of such fiscal year, and audited consolidated and unaudited consolidating statements of income and retained earnings and cash flows of the Company and of each of its Subsidiaries for such fiscal year, together with (a) copies of the reports and certificates relating thereto of independent certified public accountants of recognized standing selected by the Company and reasonably satisfactory to the Purchaser, (b) such accountants' letter to management relating to such financial statements, and (c) a report of the chief executive officer or the chief financial officer of the Company containing management's discussion and analysis of the Company's financial condition, results of operations and affairs for such year.

5.1.2 As soon as available but in any event within forty-five (45) days after the close of each quarter of each fiscal year of the Company, unaudited consolidated and consolidating balance sheets of the Company and of each of its Subsidiaries as of the last day of such quarter and unaudited consolidated and consolidating statements of income and retained earnings and cash flows of the Company and of each of its Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the end of such quarter, each such balance sheet and statement of income and retained earnings and changes in financial position to be certified by the chief executive officer and the chief financial officer of the Company, in his individual capacity, as fairly presenting in all

material respects the financial condition and results of operation of the Company or such Subsidiary, provided that any such certificate may state that the accompanying balance sheet and statements are subject to normal year-end adjustments.

5.2 Corporate Existence and Business. Maintain, and cause each Subsidiary to maintain, its separate corporate, limited liability company or partnership existence, as applicable, and its qualification and good standing in all States in which the failure to so qualify or be in good standing could reasonably be expected to have a Material Adverse Effect; and carry on business of the same general types presently conducted by it.

5.3 Insurance. Maintain, and cause each Subsidiary to maintain, insurance to such extent and covering such risks as shall be required by law or by any agreement to which the Company or such Subsidiary is a party, and in any event, insurance with such limits and covering such risks as is customary for companies engaged in the same or a similar business in the same general areas, and cause each such policy to be endorsed to provide the Purchaser at least 30 days' prior written notice of any cancellation, non-renewal or amendment. Promptly give notice to Purchaser of any cancellation or lapse in coverage of any policy of insurance maintained by the Company or any Subsidiary

5.4 Access to Properties and Information. (a) Provide and cause its Subsidiaries to provide such information concerning the operations of the Company and of its Subsidiaries as Purchaser may from time to time reasonably request in writing; (b) upon reasonable advance notice permit, and cause each Subsidiary to permit, representatives of Purchaser full and free access during normal business hours to its management personnel, properties, books and records, allow and cause each Subsidiary to allow the members of its management to discuss the affairs, finances and business of the Company and such Subsidiary with Purchaser, and permit and cause each Subsidiary to permit the Purchaser to consult with and advise its directors and officers on the management of its business; and (c) upon request by a Purchaser, direct, and cause each Subsidiary to direct, its independent accountants to discuss the affairs, finances and business of the Company and its Subsidiaries with Purchaser.

5.5 Notices. Promptly give notice to Purchaser of:

(a) any litigation, proceeding, investigation or claim that relates in whole or in part to this Agreement or any of the Notes and the Warrants;

(b) any litigation, proceeding, investigation or claim against or, after the Company becomes aware of the same, affecting the Company or any Subsidiary that can reasonably be expected to materially adversely affect the financial condition or business of, or to result in a material liability of or judgment or order against, the Company and its Subsidiaries (taken as a whole), whether or not covered by insurance; or

(c) the occurrence or claimed occurrence of an Event of Default specified in Section 7.

The Company shall furnish to Purchaser from time to time all information that Purchaser shall reasonably request with respect to the status of any such litigation, proceeding, investigation or claim to which the Company or any Subsidiary is a party.

5.6 Obligations. Pay, discharge or otherwise satisfy, and cause each Subsidiary to pay, discharge or otherwise satisfy, all its obligations and liabilities, whether for labor, materials, supplies, services or anything else, before they become delinquent, except to the extent that (a) appropriate reserves therefor have been provided on its books and the validity or amount of such liability or obligation is being contested in good faith and by appropriate proceedings, and (b) the failure to pay or discharge the same could not reasonably be expected to have a Material Adverse Effect.

5.7 Maintenance of Property. Maintain, keep and preserve, and cause each Subsidiary to maintain, keep and preserve, all of its properties used or useful in its business in good repair, working order and condition (ordinary wear and tear excepted) and from time to time make all necessary and proper repairs, renewals, replacements and improvements thereto; and maintain, preserve and protect all licenses, copyrights, patents and trademarks owned or held under license and material to the business of the Company or any Subsidiary (excluding any owned by suppliers of the Company and its Subsidiaries).

5.8 Maintenance of Records. Keep and cause its Subsidiaries to keep proper books of record and account in which full, true and correct entries will be made, in accordance with generally accepted accounting principles, of all dealings or transactions of or in relation to the business and affairs of the Company and its Subsidiaries.

5.9 Compliance with Applicable Law. Comply, and cause each Subsidiary to comply, with each statute, law, rule, regulation, order or other governmental requirement, noncompliance with which (in any one instance or in the aggregate) is reasonably likely to materially and adversely affect (a) the business, operations, property or financial condition of the Company and its Subsidiaries taken as a whole, or (b) the Company's ability to perform its obligations under the Transaction Documents.

5.10 Further Assurances. Execute and deliver or cause to be executed and delivered such further instruments and do or cause to be done such further acts as may be reasonably necessary to carry out this Agreement.

5.11 Additional Note Guarantors. If, after the First Closing Date hereunder, Company shall acquire or create another Subsidiary, then, in each such case, Company shall cause such Subsidiary to execute and deliver to the Purchaser a joinder to each Guaranty affixed to the Notes in form and substance reasonably satisfactory to the Purchaser pursuant to which such Subsidiary shall guarantee all of the Company's obligations under the Notes and this Purchase Agreement.

#### Section 6. Negative Covenants.

The Company covenants and agrees that it will not:

6.1 Liens and Encumbrances. Contract, create, incur, assume or suffer to exist, or permit any of its Subsidiaries to contract, create, incur, assume or suffer to exist, any mortgage, pledge, security interest, lien or other charge or encumbrance of any kind (including the charge upon property purchased under any conditional sale or other title retention agreement)

upon or with respect to any of its or their property or assets, whether now owned or hereafter acquired, except:

6.1.1 Liens in connection with worker's compensation, unemployment insurance or other social security or similar obligations;

6.1.2 Deposits or pledges securing the performance of bids, tenders, contracts (other than deposits of cash to secure the payment of money by the Company or any of its Subsidiaries), leases, statutory obligations, surety and appeal bonds and other obligations of like nature made in the ordinary course of business;

6.1.3 Mechanics', carriers', landlords', warehousemen's, workers', materialmen's or other like liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith;

6.1.4 Liens for taxes, assessments, levies or governmental charges imposed upon the Company or its Subsidiaries or their respective properties, operations, income, products or profits, which shall not at the time be due or payable or if the validity thereof is being contested in good faith by appropriate proceedings;

6.1.5 Reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions and other similar title exceptions or encumbrances affecting real property which do not materially detract from the value of the property affected or materially interfere with the ordinary conduct of the business of the Company or any Subsidiary;

6.1.6 Attachment, judgment and other similar liens arising in connection with court proceedings, provided that the execution or other enforcement thereof is effectively stayed (including stays resulting from the filing of an appeal) within sixty (60) days and the claims secured thereby are being contested in good faith by appropriate proceedings;

6.1.7 Capital lease obligations or security interests securing purchase money indebtedness not otherwise prohibited hereunder, provided that such security interests do not extend or attach to assets other than those acquired with the proceeds of such indebtedness;

6.1.8 Leases of real property; and

6.1.9 Liens existing on the date hereof and set forth in the Disclosure Reports.

6.2 Loans. Lend money or credit, or make or permit to be outstanding loans or advances, to any person, firm or corporation or other enterprise, or permit any Subsidiary to lend, make or permit any of the foregoing, except:

6.2.1 Loans or advances in the nature of deposits or prepayments to subcontractors, suppliers and others in the ordinary course of business;

6.2.2 Loans or advances between Subsidiaries and the Company, between Subsidiaries; and

6.2.3 Loans or advances to employees, not exceeding \$10,000 in the aggregate at any one time outstanding.

6.3 Investments. Purchase, acquire or own, or make any investment in, or permit any Subsidiary to purchase, acquire or own, or make any investment in, the stock or obligations of any person, firm, joint venture, corporation, partnership or other entity or any government or instrumentality thereof, except (a) direct obligations of the United States of America or agencies thereof, in each case with a maturity of less than one (1) year, (b) certificates of deposit of or other time deposits with banks having net worth in excess of US\$1,000,000,000, maturing in not more than one (1) year, (c) investments in open-end investment companies registered under the Investment Company Act of 1940 which invest in money market and other debt securities with maturities generally not exceeding one (1) year, (d) investments in capital stock of Subsidiaries, and (e) cash capital contributions by the Company to the Subsidiaries.

6.4 Guaranties. Agree to purchase or repurchase the indebtedness of, or assume, guarantee (directly or indirectly or by instrument having the effect of assuring another's payment or performance or capability of so doing), endorse, or otherwise become obligated upon the indebtedness, stock, dividend or other obligation of, any person, firm, joint venture, corporation, partnership or other entity or suffer any thereof to exist, or permit any Subsidiary so to do, except (a) by endorsement of negotiable instruments for deposit or collection in the ordinary course of business, and (b) guaranties by the Company or any of its Subsidiaries of the obligations of the Company or any of its other Subsidiaries.

6.5 Liquidation or other Disposition of Business. Except in connection with any merger or consolidation of the Company with one or more of its Subsidiaries or the Subsidiaries with one or more other Subsidiaries, (a) wind up, liquidate its affairs or dissolve, or permit any Subsidiary to do so; enter into any transaction of merger or consolidation or permit any Subsidiary to do so; or (b) convey, sell, lease or otherwise dispose of all or (except inventory sold in the ordinary course of business) any substantial part of its assets or properties, or permit any Subsidiary to do so.

6.6 New Business; Acquisitions. (a) Substantially change, or permit any Subsidiary to substantially change, the nature of the business in which the Company or such Subsidiary is engaged as of the Closing Date, or (b) purchase or lease, or permit any Subsidiary to purchase or lease, any assets or properties if (i) such assets or properties would constitute a material part of the assets or properties of the Company or such Subsidiary, and (ii) such purchase or lease would not be in the ordinary course of the business of the Company or such Subsidiary, or (c) purchase or invest, or permit any Subsidiary to purchase or invest, directly or indirectly, in any assets or property other than assets or property useful and to be used in the business of the Company or any Subsidiary as then conducted or in a new business along the same general lines as its businesses then conducted.

6.7 Indebtedness. Directly or indirectly create, incur or assume, or otherwise be, become or remain liable on, or permit any Subsidiary to do so, any indebtedness for borrowed money or the deferred purchase price of property, any other liability evidenced by bonds, debentures, notes or similar instruments, or under leases required to be capitalized in accordance with GAAP, except Permitted Indebtedness.

6.8 Affiliates. Purchase, acquire or lease any property from, or sell, transfer or lease any property to, or permit any Subsidiary to do so, any Affiliate except (i) in transactions which are on terms comparable in all material respects to the terms which would prevail in an arm's-length transaction between unaffiliated third parties, and (ii) in transactions between the Company and any Subsidiary, or between Subsidiaries, not otherwise prohibited by this Agreement.

6.9 ERISA. Terminate or withdraw, or permit any Subsidiary to terminate or withdraw, from any plan defined in Section 4021(a) of ERISA in respect of which the Company or any Subsidiary is an "employer" or a "substantial employer" as defined in Sections 3(5) and 4001(a)(2) of ERISA, respectively, so as to result in any material liability of the Company or any of its Subsidiaries to the PBGC pursuant to Subtitle A of Title IV of ERISA or material liability of the Company or any of its Subsidiaries to such plan; engage, or permit any Subsidiary to engage, in any "prohibited transaction" (as defined in Section 4975 of the Code) involving any such plan which would result in a material liability for an excise tax or civil penalty in connection therewith; incur or suffer to exist, or permit any Subsidiary to incur or suffer to exist, any material "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, involving any such plan; incur, or permit any Subsidiary to incur, any withdrawal liability in connection with a "complete withdrawal" or a "partial withdrawal", as defined in Sections 4203 and 4205, respectively, of ERISA, with respect to any multiemployer plan as defined in Section 3(37) of ERISA; establish, or permit any Subsidiary to establish, any new employee pension benefit plans; or increase or permit any Subsidiary to increase the benefits under any employee pension benefit plans.

6.10 Subordinated Debt. Make or permit any Subsidiary to make any principal, interest or other payment on, or purchase or acquire, or prepay, any indebtedness or obligation which is now or hereafter may be subordinated to the indebtedness evidenced by the Notes, except payments which are not in violation of the terms of the subordination of such indebtedness or obligation; or permit any notes, agreements or other instruments creating or evidencing indebtedness or other obligations subordinated to the Notes or any subordination agreement executed in connection with such indebtedness at any time to be modified or amended or any agreement or consent to be given thereunder, whereby (a) any provisions thereof relating to the subordination of such indebtedness or other obligations to the Company's indebtedness to the Purchaser are waived, modified or discharged, or (b) there is any change in the principal amount of or interest rate on such indebtedness or other obligations or any acceleration of the maturities therein provided.

Section 7. Events of Default.

In the event that:

7.1 The Company fails to pay (a) any principal of any Note when such amount becomes due in accordance with the terms thereof, or (b) any interest on any Note or any other payment of money required to be made to any of the Purchaser hereunder, within three (3) days after such amount becomes due in accordance with the terms hereof; or

7.2 Any representation or warranty made to the Purchaser in this Agreement or in any certificate, agreement or instrument executed and delivered to the Purchaser by the Company or any Subsidiary or by its accountants or officers pursuant to this Agreement is false, inaccurate or misleading in any material respect on the date as of which made; or

7.3 (a) the Company or any Subsidiary defaults in the performance of any term, covenant, agreement, condition, undertaking or provision of Section 6 hereof; or (b) the Company or any Subsidiary defaults in the performance of any other term, covenant, agreement, condition, undertaking or provision of this Agreement, any of the Notes or any other agreement or instrument executed and delivered to any of the Purchaser (or their agent) by the Company or any Subsidiary as provided in this Agreement or in connection with the transactions contemplated in this Agreement, and such default is not cured or waived within thirty (30) days after the Company receives notice of such default from a Purchaser or from a third party; or

7.4 the Company or any Subsidiary fails to pay any principal of or interest on any of its Material Indebtedness for a period longer than the grace period, if any, provided for such payment; or

7.5 a Change of Control Transaction occurs; or

7.6 (a) One or more final judgments, decrees or orders shall be entered against the Company or any Subsidiary involving in the aggregate a liability (not fully covered by insurance other than applicable deductibles) of \$100,000 or more and all such judgments, decrees or orders shall not have been vacated, paid or discharged, dismissed, or stayed or bonded pending appeal (or other contest by appropriate proceedings) within sixty (60) days from the entry thereof; (b) pursuant to one (1) or more judgments, decrees, orders, or other proceedings, whether legal or equitable, any warrant of attachment, execution or other writ is levied upon any property or assets of the Company or any Subsidiary and is not satisfied, dismissed or stayed (including stays resulting from the filing of an appeal) within sixty (60) days; (c) all or any substantial part of the assets or properties of the Company or any Subsidiary are condemned, seized or appropriated by any government or governmental authority; or (d) any order is entered in any proceeding directing the winding up, dissolution or split-up of the Company or any Subsidiary; or

7.7 (a) Any event occurs of a type described in Section 4043(b) of ERISA with respect to, or any proceedings are instituted by the PBGC to have a trustee appointed to administer or to terminate, any plan referred to in Section 6.9 hereof, of the Company or any Subsidiary, which event or institution of proceedings is, in the reasonable opinion of the Purchaser, reasonably likely to result in a termination of such plan and to have a material adverse

effect upon the business, operations, assets or financial condition of the Company and its Subsidiaries as a consolidated entity; or (b) a trustee shall be appointed by a United States District Court to administer any such plan with vested unfunded liabilities that are material in relation to the business operations, assets or financial condition of the Company and its Subsidiaries as a consolidated entity; or

7.8 The Company or any Guarantor (a) commences any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or (b) is the debtor named in any other case, proceeding or other action of a nature referred to in clause (a) above which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days, or (c) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence to, any order, adjudication or appointment of a nature referred to in clause (a) or (b) above, or (d) shall generally not be paying, shall be unable to pay, or shall admit in writing its inability to pay its debts as they become due, or (e) shall make a general assignment for the benefit of its creditors; or

7.9 On or at any time after the Closing Date (a) any of the Transaction Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or (b) the Company or any of its Subsidiaries contests the validity or enforceability of any Transaction Document in writing or denies that it has any further liability under any Transaction Document to which it is party, or gives notice to such effect;

then, and in any such event (an "Event of Default"), (x) if such event is of the type described in Section 7.8, the Notes shall automatically become due and payable, or (y) in any other such event, and at any time thereafter, if such event shall then be continuing, subject to the provisions of Section 8 Purchaser may, by written notice to the Company, declare due and payable the principal of, and interest on, the Notes held by Purchaser, whereupon the same shall be immediately due and payable. In the event that any of the Notes becomes or is declared due and payable prior to its stated maturity, the same shall become due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.

#### Section 8. Effectiveness of Covenants; Consents.

8.1 Effectiveness of Covenants. The covenants contained in this Agreement shall continue in full force and effect until the Notes and all other indebtedness outstanding under this Agreement are paid in full whereupon they shall terminate and be of no further force or effect, except that the covenants enumerated in the next sentence shall continue in full force and effect with respect to Purchaser holding Warrants and Warrant Shares after the payment of the Notes and such other indebtedness. Any holder of Warrants or Warrant Shares who does not also hold a Note shall be deemed a Purchaser hereunder with respect to such holder's ownership

of Warrants or Warrant Shares solely for the purposes of Sections 2, 5.1.1, 5.1.2, 5.4, 5.5, 6.8, 8, 9, 10, 11, and 12.

8.2 Consents and Waivers. Any provision in this Agreement to the contrary notwithstanding, with the written consent of Purchaser holding two-thirds (2/3) or more of the aggregate principal amount then outstanding of the Notes, or after the Notes have been paid in full, two-thirds (2/3) or more of the outstanding Warrants and Warrant Shares, the Company may be relieved from the effect of any Event of Default or from compliance with any covenant, agreement or undertaking contained herein or in any instrument executed and delivered as herein provided, except the provisions for the payment or prepayment of the Notes, and the provisions of the Warrants.

Section 9. Investment Representation. Purchaser acknowledges (a) that the Notes and the Warrants being acquired by Purchaser are not being registered under the Securities Act on the ground that the issuance thereof is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering, and (b) that the Company's reliance on such exemption is predicated in part on the representation hereby made to the Company by Purchaser that it is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act, and is acquiring its Notes and Warrants for investment for its own account, with no present intention of dividing its participation with others or reselling or otherwise distributing the same, subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control. None of the Purchaser is aware of any particular occasion, event or circumstance upon the occurrence or happening of which it intends to dispose of its Notes or Warrants.

Section 10. Transfers; Replacement of Notes.

10.1 Transfers. Purchaser shall be entitled to assign and transfer all or any part of its Notes or Warrants, or any interest or participation therein, and its related rights under this Agreement; and upon the assignment or transfer by Purchaser of all or any part of its Notes or Warrants or its interest therein (except in public offering registered under the Securities Act, or a sale pursuant to Rule 144 thereunder), the term "Purchaser" as used herein shall thereafter include, to the extent of the interest so assigned or transferred, the assignee or transferee of such interest.

10.2 Issuance of New Notes. The Company will at any time, at its expense, at the request of a holder of a Note, and upon surrender of such Note for such purpose, issue a new Note or Notes in exchange therefor, payable to the order of the holder or such person or persons as may be designated by such holder, dated the last date to which interest has been paid on the surrendered Note, or, if such exchange shall take place prior to the due date of the first interest payment, the date of issuance of such original Note, in such denominations as may be requested, in an aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and substantially in the form of such Note with appropriate revisions. Upon such exchange the term "Note" as used herein shall include such new Note or Notes.

10.3 Replacement of Notes. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of any Note and, if requested in the case of

any such loss, theft or destruction, upon delivery of an indemnity bond or other agreement or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such Note, the Company will issue a new Note, of like tenor and amount and dated the date to which interest has been paid, in lieu of such lost, stolen, destroyed or mutilated Note; provided, however, if any Note of which the Purchaser, its nominee, or any of its partners is the holder is lost, stolen or destroyed, the affidavit of an authorized partner or officer of the holder setting forth the circumstances with respect to such loss, theft or destruction shall be accepted as satisfactory evidence thereof, and no indemnification bond, or other security shall be required as a condition to the execution and delivery by the Company of a new Note in replacement of such lost, stolen or destroyed Note other than the holder's written agreement to indemnify the Company.

Section 11. Judicial Proceedings.

11.1 Each of the parties hereto irrevocably and unconditionally agrees to be subject to the exclusive jurisdiction of any Arizona State or Federal court sitting in the City of Phoenix over any suit, action or proceeding arising out of or relating to this Agreement or any of the Notes, Warrants or other Transaction Documents. To the fullest extent it may effectively do so under applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

11.2 The Company agrees, to the fullest extent they may effectively do so under applicable law, that a judgment in any suit, action or proceeding of the nature referred to in Section 11.1 brought in any such court shall, subject to such rights of appeal on issues other than jurisdiction as may be available, be conclusive and binding upon the Company and may be enforced in the courts of the United States of America or the State of Arizona (or any other courts to the jurisdiction of which the Company is or may be subject) by a suit upon such judgment.

11.3 Each of the parties hereto hereby irrevocably and unconditionally agrees (1) to the extent such party is not otherwise subject to service of process in the State of Arizona, to appoint and maintain an agent in the State of Arizona as such party's agent for acceptance of legal process, and (2) that, to the fullest extent permitted by applicable law, service of process may also be made on such party by prepaid certified mail with a proof of mailing receipt validated by the United States Postal Service constituting evidence of valid service, and that service made pursuant to (1) or (2) above shall, to the fullest extent permitted by applicable law, have the same legal force and effect as if served upon such party personally within the State of Arizona.

11.4 Nothing in this Section 11 shall affect the right of any of the Purchaser to serve process in any manner permitted by law, or limit any right that any of the Purchaser may have to bring proceedings against the Company in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one (1) jurisdiction in any other jurisdiction.

11.5 THE COMPANY HEREBY EXPRESSLY WAIVES ANY RIGHTS IT MAY HAVE NOW OR HEREAFTER TO A JURY TRIAL IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE NOTES, THE WARRANTS OR THE OTHER TRANSACTION DOCUMENTS.

11.6 Upon breach or default by the Company with respect to any obligation hereunder, under the Notes, the Warrants or other Transaction Documents, the Purchaser (or their agents) shall be entitled to protect and enforce their rights at law, or in equity or by other appropriate proceedings for specific performance of such obligation, or for an injunction against such breach or default, or in aid of the exercise of any power or remedy granted hereby or thereby or by law.

Section 12. Miscellaneous.

12.1 Notices. All notices, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be deemed to have been given or made, and all financial statements, information and the like required to be delivered hereunder shall be deemed to have been delivered, five (5) days after deposited in the mails, registered or certified with postage prepaid, addressed to the Company at 2490 East Sunset Road, Suite 100, Las Vegas, Nevada 89120, Attention: President, and to the Purchaser at 3525 Del Mar Heights Road, Suite 765, San Diego, California 92130, or to such other address as any of them shall specify in writing to the other. No other method of giving notice is hereby precluded. Upon the reasonable request of Purchaser, the Company will deliver to Purchaser, at the Company's expense, additional copies of all financial statements, information and the like required hereunder.

12.2 Cumulative Remedies, Etc. No failure or delay on the part of any of the Purchaser in exercising any right, power or privilege hereunder, and no course of dealing between the Company and the Purchaser, or any of them, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the simultaneous or later exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Purchaser, or any of them, would otherwise have. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Purchaser, or any of them, to take any other or further action in any circumstances without notice or demand.

12.3 No Oral Changes; Assignment; Survival of Representations. This Agreement may not be changed or terminated orally. This Agreement shall be binding upon the Company and the Purchaser and its successors and assigns. Neither the Company nor the Purchaser shall not make any assignment of its rights under this Agreement, the Notes, the Warrants or other Transaction Documents or subject this Agreement, the Notes, the Warrants or other Transaction Documents or its rights hereunder to any lien or security interest of any kind whatsoever; and any such assignment, lien or security interest shall be absolutely void and unenforceable as against the Purchaser. All agreements, representations and warranties made herein or in writing otherwise in connection herewith shall survive the issuance of the Notes and the Warrants.

12.4 Expenses. Each of the parties hereto agrees to pay all of its expenses arising in connection with the negotiation, preparation, execution, delivery, administration, exercise of rights under and enforcement of, and any amendment, supplement or modification to, or waiver of any provision of, this Agreement, the Notes, the Warrants, and the Transaction Documents, including without limitation all documentary, stamp and similar taxes and assessments, all recording and filing fees and taxes charged by any governmental authority.

12.5 GAAP. All calculations after the Closing Date shall be made and all financial statements and data generated after the Closing Date and required hereby shall be prepared in accordance with GAAP (as in effect at the date of preparation) consistently applied, except as otherwise expressly provided herein.

12.6 Indemnification Generally. The Company and the Subsidiaries (collectively "Indemnifying Parties") agree to indemnify and hold harmless Purchaser, their respective Affiliates, partners, subsidiaries, directors, officers, employees, agents and representatives (collectively, the "Indemnified Parties") to the maximum extent permitted by law, from and against any and all liability (including, without limitation, reasonable legal fees incurred in defending against any such liability) under, arising out of or relating to this Agreement, the Notes, the Warrants and the other Transaction Documents, the transactions contemplated hereby or thereby or in connection herewith or therewith, and all action or failures to act and the transactions contemplated thereby, including (to the maximum extent permitted by law) any liability arising under Federal or state securities laws, except to the extent such liability shall result from any act or omission on the part of the Indemnified Parties constituting willful misconduct or gross negligence or the inaccuracy of representations in Section 9. The rights and obligations of the Indemnifying Parties under this Section 12.6 shall survive and continue to be in full force and effect notwithstanding the Notes or the Warrants not having been purchased, the repayment of the Notes, the expiration or repurchase of the Warrants or Warrant Shares and the termination of this Agreement. The Indemnifying Parties shall not be liable to the Indemnified Parties for any punitive, exemplary or consequential damages as a result of the transactions contemplated by this Agreement or the Transaction Documents.

12.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, without regard to principles of conflict of laws. The parties hereto hereby declare that it is their intention that this Agreement shall be regarded as made under the laws of the State of Arizona and that the laws of said State shall be applied in interpreting its provisions in all cases where legal interpretation shall be required.

12.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

12.9 Public Announcements. None of the parties hereto shall issue any press release or other public statement concerning the transactions provided for in this Agreement without the prior consent of the other parties, except to the extent required by applicable law, regulation or legal process.

12.10 Captions; Gender. The descriptive headings of the Sections of this Agreement are inserted for convenience only and shall not affect the meaning, construction or interpretation of any of the provisions hereof. The use of the masculine form of a pronoun shall be deemed, where appropriate, to include the masculine and feminine forms of such pronoun.

12.11 Legends. Certificates evidencing the shares of Common Stock issued upon any conversion of the Notes and/or exercise of the Warrants shall bear the following restrictive legend, in addition to any other legends determined to be necessary or appropriate in the Company's reasonable discretion:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT.

12.12 Stockholder Approval Matters. The Company covenants and agrees to use commercially reasonable efforts to obtain, as promptly as practicable, any approvals of the Company's stockholders required under the Company's Organizational Documents, applicable law and/or the listing rules and regulations of the NASDAQ Capital Market in connection with the transactions contemplated by this Agreement. Following such approval (if obtained via written consent in compliance with the Company's Organizational Documents and applicable law), the Company covenants and agrees to use commercially reasonable efforts to file with the Securities and Exchange Commission, as promptly as practicable, an Information Statement on Schedule 14C describing this Agreement and the transactions contemplated hereby. The parties acknowledge and agree that the Purchaser shall not be entitled to convert any Notes, or exercise any Warrants, into shares of Common Stock, unless and until (i) any required stockholder approvals are obtained and (ii) the time period prescribed by Rule 14c-2 promulgated under the Exchange Act has expired.

12.13 Preparation of Document/Independent Counsel. After the Purchaser and the Company negotiated among themselves, this Agreement was prepared by Snell & Wilmer L.L.P, as legal counsel to the Company. Snell & Wilmer L.L.P. has not acted as legal counsel to any other party, including the Purchaser. The Purchaser acknowledges that it has had the opportunity to review this Agreement with its own legal counsel.

*[Remainder of Page Intentionally Left Blank; Signature Page Follows]*

If you are in agreement with the foregoing, please sign in the space provided below.

LIVEDEAL, INC., a Nevada corporation

By: Lawrence W. Tomsic  
Lawrence W. Tomsic  
Chief Financial Officer

The foregoing is hereby accepted and agreed to, as of the date first above written, by the Purchaser signing below.

PURCHASER:

ISAAC CAPITAL GROUP LLC, a Delaware limited liability company

By: [Signature]  
Name: SON ISAAC  
As:

Form of Note

THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE WERE NOT ISSUED IN A TRANSACTION REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR, IN THE OPINION OF COUNSEL TO THE COMPANY, IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS.

**LIVEDEAL, INC.**

**SENIOR SUBORDINATED CONVERTIBLE NOTE**

U.S. \$250,000.00

Date of Issuance: April 3, 2012

FOR VALUE RECEIVED, LiveDeal, Inc., a Nevada corporation ("Company"), hereby promises to pay to the order of Isaac Capital Group LLC, a Delaware limited liability company ("Purchaser"), the aggregate principal sum of at least Two Hundred and Fifty Thousand and No/100 Dollars (\$250,000.00) (as may be increased from time to time in accordance with Section 1.2, the "Principal") in lawful currency of the United States of America, subject to the provisions contained herein. This Senior Subordinated Convertible Note (this "Note") is one of the Notes described in the Note and Warrant Purchase Agreement dated as of April 3, 2012, by and between the Company and Purchaser (the "Note Purchase Agreement"). The Company and Purchaser shall be collectively referred to as the "Parties". Unless otherwise expressly provided in this Note, initially capitalized words or terms used in this Note shall have the meanings set forth in the Note Purchase Agreement.

**ARTICLE 1  
PAYMENT**

1.1 Maturity Date. The Principal and any other amounts payable to Purchaser hereunder, shall be due and payable to Purchaser on April 3, 2013 (the "Maturity Date"); provided, however, that the Company shall have the option in its discretion to extend the Maturity Date by up to one (1) year in the event that no Event of Default has occurred and is continuing, and the Company is in material compliance with its agreements and covenants hereunder and under the Note Purchase Agreement, as of the Maturity Date.

1.2 Interest. Interest will accrue from the date hereof on the Principal amount at the rate of 8% per annum until all Obligations under this Note are paid in full or until the conversion of the Principal pursuant to Article 2 of this Note. If the Principal is not converted pursuant to Article 2 of this Note, interest shall be paid with the Principal amount and all other Obligations on the Maturity Date. If the Principal is converted pursuant to Article 2 of this Note, interest accrued through the date of conversion and all other Obligations shall be paid on the date of conversion in accordance with Article 2 of this Note.

1.3 Payment. All payments under this Note shall be made by check or wire transfer of immediately available funds and in lawful money of the United States of America at 3525 Del Mar Heights Road, Suite 765, San Diego, California 92130, or at such other place as the Purchaser may from time to time designate in writing to the Company. Payments will be credited first, to costs of collection and other charges for which the Company is responsible pursuant to this Note, second, to accrued but unpaid interest, and the remainder to Principal.

1.4 Prepayment. The Company shall have the option to prepay this Note, together with accrued but unpaid interest, in whole or in part, at any time without premium or penalty.

## ARTICLE 2 CONVERSION

2.1 Right to Convert into Common Stock; Conversion Price. Subject to Section 2.5, so long as any Principal due under this Note is outstanding, pursuant to Section 2.2 below, Purchaser may elect to convert, or the Company may cause the immediate conversion of, all or any portion of the Principal and accrued but unpaid interest into that number of shares of the common stock of the Company (the "Common Stock") as is obtained by dividing the dollar amount of the Principal and accrued but unpaid interest by the applicable Conversion Price per share of Common Stock (the "Conversion Shares"). Subject to adjustment as provided in Section 2.3 hereof, the "Conversion Price" shall be an amount equal to 60% of the lesser of (i) the closing bid price on the First Closing Date or (ii) the 10-day volume weighted average closing bid price for the Company's common stock, in each case as listed on NASDAQ for the 10 business days immediately preceding the date of the notice of conversion.

### 2.2 Mechanics of Conversion.

(a) Unless earlier converted at the election of the Company pursuant to clause (b) below, Purchaser may cause the conversion of this Note by delivering to the Company an executed notice of conversion in the form attached hereto as Exhibit A (the "Notice of Conversion").

(b) The Company may cause the conversion of this Note by delivering to Purchaser a Notice of Conversion.

(c) After delivery of the Notice of Conversion, the Company and Purchaser shall agree to a date for such conversion which, in no event, shall be later than three (3) business days following the date of the Notice of Conversion (the "Conversion Date"). On or before the Conversion Date, Purchaser shall surrender the Note for conversion and the Company shall denote in its corporate records the ownership by Purchaser of the Conversion Shares, effective as of close of business on the Conversion Date. Effective as of close of business on the Conversion Date (i) the rights of Purchaser with respect to the Principal, together with all other amounts due hereunder to Purchaser shall cease, (ii) Purchaser shall be treated for all purposes as having become the record holder of such Conversion Shares, and (iii) such conversion shall be at the Conversion Price then in effect. The issuance of Common Stock upon conversion of this Note shall be made

without charge to Purchaser for any tax in respect of such issuance, and such Conversion Shares shall be issued in such names as may be directed by Purchaser.

(d) In the event of a partial conversion of this Note, all of the applicable provisions hereof shall apply in respect of the portion of this Note that is converted into Conversion Shares, and this Note shall be restated to reflect the amount that remains due and payable hereunder, which shall be subject to subsequent conversion in accordance with the terms and conditions hereof.

2.3 Adjustment of Conversion Price. Subject to Section 2.4 hereof, the Conversion Price and number and kind of Conversion Shares or other securities to be issued upon conversion determined pursuant to Section 2.1 shall be subject to adjustment from time to time upon the happening of certain events while this conversion right remains outstanding, as follows:

(a) *Merger, Sale of Assets, etc.* If Company at any time shall consolidate with or merge into or sell or convey all or substantially all its assets to any other corporation or other entity, this Note shall thereafter be deemed to evidence the right to purchase such number and kind of shares or other securities and property as would have been issuable or distributable on account of such consolidation, merger, sale or conveyance, upon or with respect to the securities subject to the conversion or purchase right immediately prior to such consolidation, merger, sale or conveyance. The foregoing provision shall similarly apply to successive transactions of a similar nature by any such successor or purchaser. Without limiting the generality of the foregoing, the anti-dilution provisions of this Section 2.3 shall apply to such securities of such successor or purchaser after any such consolidation, merger, sale or conveyance.

(b) *Reclassification.* If Company at any time shall, by reclassification or otherwise, change the Common Stock into the same or a different number of securities of any class or classes that may be issued or outstanding, this Note shall thereafter be deemed to evidence the right to purchase an adjusted number of such securities and kind of securities as would have been issuable as the result of such change with respect to the Common Stock immediately prior to such reclassification or other change.

(c) *Stock Splits, Combinations and Dividends.* If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock in shares of Common Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

(d) *Share Issuance.* So long as this Note is outstanding, if Company shall issue or agree to issue any shares of Common Stock, including restricted stock, restricted stock units, or stock appreciation rights, for a consideration (or deemed price) less than the Conversion Price in effect at the time of such issue, then, and thereafter successively upon each such issue, the Conversion Price shall be reduced to such other lower issue

price. For purposes of this adjustment, the issuance of any security carrying the right to convert or exchange such security into shares of Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Conversion Price upon the issuance of the above-described security and again upon the issuance of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the then applicable Conversion Price.

2.4 Adjustment Notices. Whenever the Conversion Price is adjusted as provided in Section 2.3, Company shall promptly deliver to Purchaser written notice setting forth the revised Conversion Price with a statement of facts regarding the adjustment and the computation thereof.

2.5 Limitation on Conversion Pending Stockholder Approval. This Note shall not be convertible into shares of Common Stock by Purchaser, in whole or in part, unless and until the conditions specified in Section 12.12 of the Note Purchase Agreement (relating to, among other things, stockholder approval of the transactions contemplated by the Note Purchase Agreement) have been satisfied in full.

### ARTICLE 3 SUBORDINATION

3.1 Agreement to Subordinate. By signing below, each of Purchaser and the Company expressly agree, for itself and its successors and assigns, that this Note shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right to the prior payment in full of all outstanding obligations under the Existing Loan Agreement (as defined in the Note Purchase Agreement) (the "Senior Obligations").

3.2 Subordination. Upon (a) any acceleration of maturity of the Principal of this Note (but excluding any voluntary prepayment) or (b) any payment or distribution of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or total or partial liquidation, reorganization or other similar arrangement of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, then all principal, premium, if any, and interest due or to become due upon all Senior Obligations shall first be paid in full, or payment thereof provided for in accordance with the terms of the Existing Loan Agreement before any payment is made on account of the Principal, premium, if any, or interest on this Note, and upon any such dissolution or winding-up or liquidation, reorganization or other similar arrangement, any payment or distribution of any kind or character, whether in cash, property or securities, to which the Purchaser would be entitled from Company, except for the provisions hereof, shall be paid by the Company, or by a receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, to the Purchaser to the extent necessary to pay all Senior Obligations in full before any payment or distribution is made to the Purchaser under this Note.

3.3 Trust Property. In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by the Purchaser under this Note before all Senior Obligations are paid in full, or provision for such payment in accordance with the terms of the Indenture, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the

holder of the Senior Obligations for application to the payment of all Senior Obligations remaining unpaid to the extent necessary to pay all such Senior Obligations in full in accordance with their terms.

3.4 Benefits. The foregoing subordination provisions shall be for the benefit of the holders of Senior Obligations and may be enforced by the holder of the Senior Obligations against the Purchaser; provided, however, (a) that the foregoing provisions are solely for the purpose of defining the relative rights of the holder of Senior Obligations on the one hand and the Purchaser on the other hand under this Note, and that nothing therein shall impair, as between the Company and the Purchaser, the obligation of the Company to pay to the Purchaser the Principal thereof, premium, if any, and interest thereon in accordance with the terms of this Note, nor shall anything therein prevent the Purchaser or any trustee on their behalf from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights set forth above of the holders of Senior Obligations to receive cash, property or securities, otherwise payable or deliverable to the Purchaser under this Note, (b) that upon any payment or distribution of assets of the Company of the character referred to in the third paragraph of the foregoing provisions, the trustee under any agreement relating to this Note shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation, reorganization or other similar arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution, delivered to said trustee for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Obligations and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions, and (iii) that any trustee under any agreement relating to this Note and any paying agent therefor shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by such trustee or such paying agent, unless and until such trustee or such paying agent, as the case may be, shall have received notice thereof from the Company or from one or more holders of Senior Obligations.

3.5 Limitation on Amendments. The provisions of this Article 3 shall not be amended or modified without the express written consent of the holder(s) of the Senior Obligations.

#### ARTICLE 4 COVENANTS OF COMPANY

4.1 Payment of Principal; Conversion. The Company hereby covenants and agrees that it shall pay or cause to be paid all amounts due hereunder on the Maturity Date or, if applicable prior to the Maturity Date, the Company shall effect or cause to be effected any conversion of the Principal into Conversion Shares.

4.2 Reserves. During the period the conversion right exists, the Company shall at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of issue upon conversion of this Note, such number of shares of Common Stock as shall then be issuable upon the conversion of this Note. The Company covenants that all such

shares of Common Stock shall, upon issuance, be duly and validly issued, fully paid and non-assessable.

## ARTICLE 5 DEFAULT; ACCELERATION

5.1 Events of Default. The occurrence of any Event of Default under the Note Purchase Agreement shall constitute an "Event of Default" hereunder.

5.2 Acceleration.

(a) Upon the occurrence of any Event of Default, the entire outstanding balance of the Principal and any other amounts payable to Purchaser hereunder shall become immediately due and payable to Purchaser, without any demand of or notice to the Company.

(b) Upon the occurrence of any Event of Default, Purchaser may exercise all rights and remedies available to it under any or all of the Transaction Documents or otherwise and may apply any of funds of either the Company in its possession to the outstanding indebtedness under this Note.

5.3 Costs of Collection. The Company hereby, jointly and severally, agree to pay all costs of collection, including attorneys' fees and expenses, whether or not suit is filed, and all costs of suit and preparation for suit (whether at trial or appellate level), in the event any amount of the Principal or other amount owing hereunder is not paid when due, or to exercise any other right or remedy hereunder, or in the event Purchaser is made party to any claim, case, action or other proceeding because of the existence of the Principal, or if at any time Purchaser should incur any attorneys' fees or expenses in any proceeding under any federal bankruptcy law (or any similar state or federal law) in connection with the Principal.

## ARTICLE 6 GENERAL PROVISIONS

6.1 Remedies Cumulative and Continuing. All powers and remedies of Purchaser hereunder with respect to an Event of Default shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other thereof or of any other power or remedy available to Purchaser, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Note, and every power and remedy given by this Note or by applicable law to Purchaser may be exercised from time to time, and as often as shall be deemed expedient by Purchaser.

6.2 Replacement; Exchange. Upon receipt of evidence reasonably satisfactory to the Company of the ownership and the loss, theft, destruction or mutilation of this Note, the Company shall execute and deliver a new Note of like kind in lieu of and in substitution for the lost, stolen, destroyed or mutilated Note. This Note may be exchanged by surrender hereof at the office of the Company maintained for that purpose, and the Company shall execute and deliver in exchange herefor the Note or Notes which Purchaser making the exchange shall be entitled to receive.

6.3 Choice of Law. This Note shall be governed by and construed in accordance with the laws of the State of Arizona, without regard to principles of conflict of laws. The parties hereto hereby declare that it is their intention that this Agreement shall be regarded as made under the laws of the State of Arizona and that the laws of said State shall be applied in interpreting its provisions in all cases where legal interpretation shall be required.

6.4 Notices. All notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be delivered personally or by reputable overnight courier (e.g., Federal Express) or mailed first class, postage prepaid, registered or certified mail:

If intended for the Purchaser:

Isaac Capital Group LLC  
3525 Del Mar Heights Road, Suite 765  
San Diego, California 92130

If intended for the Company:

LiveDeal, Inc.  
2490 E. Sunset Road, Suite 100  
Las Vegas, Nevada 89120  
Attn: Chief Financial Officer  
Facsimile No.: (702) 939-0244

with a copy to (which shall not constitute notice to the Company):

Snell & Wilmer L.L.P.  
One Arizona Center  
Phoenix, Arizona 85004-2202  
Attn: Daniel M. Mahoney, Esq.  
Facsimile No.: (602) 382-6070

Any party may change the address to which notices intended for it shall be sent by a notice to the other party given in the manner specified in this Section. Such notices and communications shall for all purposes of this Agreement be treated as being effective or having been given when delivered if delivered personally or by courier or, if sent by mail, when received.

6.5 Assignment. This Agreement shall be binding upon the Company and the Purchaser and its successors and assigns and, without limitation of the foregoing, each person taking or holding this Note, expressly accepts and agrees to be bound by the subordination provisions set forth in Article 3 hereof. Neither the Company nor the Purchaser shall not make any assignment of its rights under this Agreement, the Notes, the Warrants or other Transaction Documents or subject this Agreement, the Notes, the Warrants or other Transaction Documents or its rights hereunder to any lien or security interest of any kind whatsoever; and any such assignment, lien or security interest shall be absolutely void and unenforceable as against the Purchaser.

6.6 Cooperation; Further Action. Each Party to this Note shall, without further consideration, execute and deliver any further or additional instruments and perform any acts which may become reasonably necessary to effectuate and carry out the purposes of this Note.

6.7 Severability. In the event any term or provision of this Note is declared to be invalid or illegal, for any reason, this Note shall remain in full force and effect and the same shall be interpreted as though such invalid and illegal provision were not a part hereof.

6.8 Amendments. This Note may not be altered or amended, and no right under this Note may be waived, except by a writing executed by the Parties to this Note or except as otherwise provided in this Note. No waiver of any term, provision, or condition of this Note, in any one or more instances, shall be deemed or construed as a further or continuing waiver of any such term, provision, or condition, or as a waiver of any other term, provision, or condition of this Note.

6.9 Integration. This Note and the other Transaction Documents constitute and embody the full and complete understanding and agreement of the parties hereto and supersedes all prior understandings, whether oral or written.

6.10 Captions; Number and Gender. The captions, headings and arrangements used in this Agreement are for convenience only and shall not in any way affect, modify, control, or limit the meaning or applicability of such article or section. Words used herein, regardless of the number or gender stated, shall be deemed to refer to the singular or plural, or to the masculine, feminine or neuter, respectively, all as the context may admit.

*[Remainder of Page Intentionally Left Blank; Signature Page Follows]*

IN WITNESS WHEREOF, the undersigned have executed this Note as of the date first set forth above.

COMPANY:

LiveDeal, Inc., a Nevada corporation

By: \_\_\_\_\_  
Lawrence W. Tomsic  
Chief Financial Officer

PURCHASER:

Isaac Capital Group LLC, a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## SUBORDINATED GUARANTY

By signing this Subordinated Guaranty (the "Guaranty") below, subject to the limitations set forth below, each of the undersigned (each, a "Guarantor"), hereby absolutely and unconditionally guarantees to the Purchaser the full and complete payment of the Company's obligation herein and that Company will timely and completely perform all of its covenants and obligations, including all payment obligations, made and given by it pursuant to and in accordance with this Note and the Note Purchase Agreement from time to time. Subject to the limitations set forth below, Purchaser may pursue the full repayment of the Note to which this Guaranty is attached and performance of all of the covenants and obligations of the Company made pursuant to the Note Purchase Agreement upon a default by the Company.

1.1 Agreement to Subordinate. By signing below, each of Purchaser and Guarantor expressly agree, for itself and its successors and assigns, that this Guaranty shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right to the prior payment in full of all outstanding obligations under the Senior Obligations.

1.2 Subordination. Upon (a) any acceleration of maturity of the principal of this Guaranty (but excluding any voluntary prepayment) or (b) any payment or distribution of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or total or partial liquidation, reorganization or other similar arrangement of the Guarantor, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, then all principal, premium, if any, and interest due or to become due upon all Senior Obligations shall first be paid in full, or payment thereof provided for in accordance with the terms of the Existing Loan Agreement before any payment is made on account of the principal, premium, if any, or interest on this Guaranty, and upon any such dissolution or winding-up or liquidation, reorganization or other similar arrangement, any payment or distribution of any kind or character, whether in cash, property or securities, to which the Purchaser would be entitled from Guarantor, except for the provisions hereof, shall be paid by the Guarantor, or by a receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, to the Purchaser to the extent necessary to pay all Senior Obligations in full before any payment or distribution is made to the Purchaser under this Guaranty.

1.3 Trust Property. In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by the Purchaser under this Guaranty before all Senior Obligations are paid in full, or provision for such payment in accordance with the terms of the Indenture, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the holder of the Senior Obligations for application to the payment of all Senior Obligations remaining unpaid to the extent necessary to pay all such Senior Obligations in full in accordance with their terms.

1.4 Benefits. The foregoing subordination provisions shall be for the benefit of the holders of Senior Obligations and may be enforced by the holder of the Senior Obligations against the Purchaser; provided, however, (a) that the foregoing provisions are solely for the purpose of defining the relative rights of the holder of Senior Obligations on the one hand and the Purchaser on the other hand under this Guaranty, and that nothing therein shall impair, as

between the Guarantor and the Purchaser, the obligation of the Guarantor to pay to the Purchaser the principal thereof, premium, if any, and interest thereon in accordance with the terms of this Guaranty, nor shall anything therein prevent the Purchaser or any trustee on their behalf from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights set forth above of the holders of Senior Obligations to receive cash, property or securities, otherwise payable or deliverable to the Purchaser under this Guaranty, (b) that upon any payment or distribution of assets of the Guarantor of the character referred to in the third paragraph of the foregoing provisions, the trustee under any agreement relating to this Guaranty shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation, reorganization or other similar arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution, delivered to said trustee for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Obligations and other indebtedness of the Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions, and (iii) that any trustee under any agreement relating to this Guaranty and any paying agent therefor shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by such trustee or such paying agent, unless and until such trustee or such paying agent, as the case may be, shall have received notice thereof from the Guarantor or from one or more holders of Senior Obligations.

1.5 Limitation on Amendments. The provisions of this Guaranty relating to subordination shall not be amended or modified without the express written consent of the holder(s) of the Senior Obligations.

*[Remainder of Page Intentionally Left Blank; Signature Page Follows]*

IN WITNESS WHEREOF, the undersigned have executed this Guaranty as of the date first set forth above.

GUARANTORS:

Local Marketing Experts, Inc., a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Velocity Marketing Concepts, Inc., a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

247 Marketing, LLC a Nevada limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Telco Billing, Inc., a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Telco of Canada, Inc. a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LiveDeal, Inc. a California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PURCHASER:

Isaac Capital Group LLC, a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit A

Form of Conversion Notice

Re: Senior Subordinated Convertible Note (the "Note") issued by LiveDeal, Inc., a Nevada corporation (the "Company"), dated \_\_\_\_\_, 2012, in the original principal amount of \$\_\_\_\_\_.

Effective as of the date written below, the undersigned hereby [provides notice of its election to automatically convert / irrevocably elects to convert] \$\_\_\_\_\_ of the unpaid principal amount on the Note into shares of the common stock of Company according to the terms and conditions set forth in the Note. If interests are to be issued in the name of a person or entity other than the undersigned, the undersigned hereby agrees to pay all transfer taxes payable with respect thereto.

Date of Conversion: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

If applicable, name and address of person or entity other than the undersigned to which Conversion Shares are to be registered and delivered:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Social Security or Tax I.D. Number \_\_\_\_\_

EXHIBIT B

Guarantors

1. Local Marketing Experts, Inc., a Nevada corporation
2. Velocity Marketing Concepts, Inc., a Nevada corporation
3. 247 Marketing, LLC a Nevada limited liability company
4. Telco Billing, Inc., a Nevada corporation
5. Telco of Canada, Inc. a Nevada corporation
6. LiveDeal, Inc. a California corporation

Form of Warrant

NEITHER THIS WARRANT, NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT (COLLECTIVELY, THE "SECURITIES"), HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES OR BLUE SKY LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES OR BLUE SKY LAWS, PURSUANT TO REGISTRATION OR QUALIFICATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES OR BLUE SKY LAWS.

LIVEDEAL, INC.

WARRANT

Warrant No. [ ]

Date of Issuance: [ ], 2012<sup>1</sup>

LiveDeal, Inc., a Nevada corporation (the "Company"), hereby certifies that, for value received, Isaac Capital Group LLC, a Delaware limited liability company, or its registered assign (the "Holder"), is entitled to purchase from the Company [ ]<sup>2</sup> shares (as adjusted from time to time as provided in Section 11) of common stock, par value \$0.001 per share, of the Company (the "Common Stock") (each such share, a "Warrant Share" and all such shares, the "Warrant Shares"), at an exercise price determined pursuant to Section 3 (the "Exercise Price"), at any time and from time to time from and after the date hereof through and including the date that is five (5) years following the date of issuance set forth above (the "Expiration Date"), and subject to the following terms and conditions:

1. Purchase Agreement. This Warrant is one of a series of Warrants (collectively, the "Warrants") issued by the Company in connection with that certain Note and Warrant Purchase Agreement, entered into as of April 3, 2012 (the "Purchase Agreement"), by and among the Company and the purchasers identified on the signature pages thereto, and is subject to, and the Company and the Holder shall be bound by, all the applicable terms, conditions and provisions of the Purchase Agreement. This Warrant is being issued in connection with the conversion into shares of Common Stock of one of the Notes purchased under the Purchase Agreement.

2. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein shall have the meanings assigned to such terms in the Purchase Agreement.

<sup>1</sup> Note to Draft: Warrant to be issued as of the date of conversion of the applicable Senior Subordinated Convertible Note.

<sup>2</sup> Note to Draft: Number of Warrant Shares to be equal to number of shares of Common Stock into which the applicable Senior Subordinated Convertible Note was converted.

3. Exercise Price. This Warrant may be exercised for a price per Warrant Share equal to \$[\_\_\_\_\_]³, subject to adjustment from time to time pursuant to Section 11.

4. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

5. Registration of Transfers. Subject to the Holder's appropriate compliance with the restrictive legend on this Warrant, the Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment substantially in the form attached hereto as Attachment B duly completed and signed, to the Company at its address specified herein. Upon any such registration or transfer, a new Warrant to purchase Common Stock, in substantially the form of this Warrant (any such new Warrant, a "New Warrant"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

6. Exercise and Duration of Warrants. This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the date hereof to and including the Expiration Date. At 6:30 p.m., New York City time, on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value. The Company may not call or redeem all or any portion of this Warrant without the prior written consent of the Holder.

7. Delivery of Warrant Shares.

(a) To effect conversions hereunder, the Holder shall not be required to physically surrender this Warrant unless the aggregate number of Warrant Shares represented by this Warrant is being exercised. Upon delivery of an Exercise Notice substantially in the form attached hereto as Attachment A (an "Exercise Notice") to the Company at its address for notice determined as set forth herein, and upon payment of the applicable Exercise Price multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder, the Company shall promptly (but in no event later than five (5) trading days after the Date of Exercise (as defined below)) issue and deliver, or cause its transfer agent to issue and deliver, to the Holder a certificate for the Warrant Shares issuable upon such exercise registered in the name of the Holder or its designee. A "Date of Exercise" means the date on which the Holder shall have delivered to the Company: (i) an Exercise Notice, appropriately completed and duly signed, and (ii) unless the Holder has elected a cashless exercise, payment of the Exercise Price (by certified or official bank check, intra-bank account transfer or wire transfer) for the number of Warrant Shares so indicated by the Holder to be purchased.

<sup>3</sup> Note to Draft: Exercise Price to be equal to the Conversion Price under the applicable Senior Subordinated Convertible Note plus 20%.

(b) If by the fifth trading day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 7(a), the Holder will have the right to rescind such exercise.

(c) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity, including a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

8. Charges, Taxes and Expenses. Issuance and delivery of certificated or uncertificated shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee, or other incidental tax or expense in respect of the issuance of such shares, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

9. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a new Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable indemnity (which shall not include a surety bond), if requested. Applicants for a new warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a new warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver this mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the new warrant.

10. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from Liens or any other contingent purchase rights of persons other than the Holder (taking into account the adjustments and restrictions of Section 11). The Company covenants and warrants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in

accordance with the terms hereof, be duly and validly authorized, issued and fully paid and non-assessable.

11. Certain Adjustments. The number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 11.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of any Warrants), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of Common Stock any shares of capital stock of the Company; then in each such case (A) the Exercise Price will be adjusted by multiplying the Exercise Price then in effect by a fraction, the numerator of which equals the number of shares of Common Stock outstanding immediately prior to such event (excluding treasury shares, if any), and the denominator of which equals the number of shares of Common Stock outstanding immediately after such event, and (B) the number of Warrant Shares issuable hereunder shall be concurrently adjusted by multiplying such number by the reciprocal of such fraction. Such adjustments will take effect (i) if a record date shall have been fixed for determining the stockholders or security holders, as applicable, of the Company entitled to receive such dividend, distribution or issuance by reclassification, as the case may be, immediately after such record date, (ii) otherwise, immediately after the effective date of such dividend, distribution, subdivision, combination, or issuance by reclassification, as the case may be.

(b) Subsequent Equity Sales. If the Company or any Subsidiary thereof, as applicable, at any time while this Warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to re-price, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or any other disposition or issuance of) any Common Stock or securities convertible or exercisable into Common Stock ("Common Stock Equivalents"), except for issuances contemplated by Section 11(a) and Exempt Issuances (as defined in Section 11(f)(i)), at an effective price per share less than the Exercise Price then in effect (such lower price, the "Base Share Price" and such issuances collectively, a "Dilutive Issuance") (it being understood and agreed that if the holder of the Common Stock or Common Stock Equivalents so issued or issuable shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued or issuable in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation of each Dilutive Issuance (i) the Exercise Price then in effect will be reduced (and in no event increased) by multiplying the Exercise Price then in effect by a fraction, the numerator of which equals the *sum* of the number of shares of Common Stock outstanding immediately prior to the Dilutive Issuance *plus* the number of shares of Common Stock which would be issued or issuable if the Base Share Price for such Dilutive Issuance equaled such VWAP (assuming the aggregate consideration received or receivable by the Company would

remain the same), and the denominator of which equals the *sum* of the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance *plus* the number of shares of Common Stock so issued or issuable in connection with such Dilutive Issuance, and (ii) the number of Warrant Shares issuable hereunder shall be concurrently increased (and in no event decreased) by multiplying such number by the reciprocal of such fraction. Such adjustments shall be made whenever such Common Stock or Common Stock Equivalents are issued. The Company shall notify the Holder, in writing, no later than the trading day following the issuance or deemed issuance of any Common Stock or Common Stock Equivalents subject to this Section 11(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms, and describing the material terms of the option, right, Common Stock or Common Stock Equivalents sold, granted, disposed of or issued (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 11(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Warrant Shares based upon the Exercise Price as the Exercise Price should have been adjusted pursuant to the operation of this Section 11(b) had the Company provided a Dilutive Issuance Notice, regardless of whether the Holder accurately refers to the adjusted Exercise Price in the Exercise Notice. If the Company enters into a Variable Rate Transaction (as defined in Section 11(f)(ii)), the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion or exercise price at which such securities may be converted or exercised.

(c) Subsequent Rights Offerings. If the Company, at any time while this Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holder on an as-fully-exercised basis) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the VWAP on the record date mentioned below, then, unless adjustment is required pursuant to Section 11(b), (i) the Exercise Price then in effect will be adjusted by multiplying the Exercise Price by a fraction, the numerator of which equals the *sum* of the number of shares of Common Stock outstanding on the date of issuance of such rights, options or warrants *plus* the number of shares which the aggregate offering price of the total number of shares so offered (assuming receipt by the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such VWAP, and the denominator of which equals the *sum* of the number of shares of Common Stock outstanding on the date of issuance of such rights, options or warrants *plus* the number of additional shares of Common Stock offered for subscription or purchase and (ii) the number of Warrant Shares issuable hereunder shall be concurrently adjusted by multiplying such number by the reciprocal of such fraction. Such adjustments shall be made whenever such rights, options or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants or, if no such record date shall have been fixed, immediately after the effective date of such issuance.

(d) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to the Holder on an as-fully-exercised basis) evidences of its indebtedness, assets (including cash and cash dividends), rights or warrants to subscribe for or purchase any security other than shares of Common Stock (which shall be subject to Section 11(b) or Section 11(c), as applicable), then in each such case the Exercise Price then in effect will be adjusted effective immediately after the record date for

the determination of stockholders entitled to receive such distribution by multiplying the Exercise Price by a fraction, the numerator of which equals the VWAP on such record date *less* the then per share fair market value of the portion of such evidence of indebtedness, assets, rights or warrants so distributed applicable to one outstanding share of the Common Stock, as determined by the Board in good faith, and the denominator of which equals the VWAP determined as of such record date. In each such case the Company shall notify the Holder, in writing, no later than the trading day following the distribution of any such evidence of indebtedness, assets, rights or warrants, describing the material terms of such evidence of indebtedness, assets, rights or warrants and the adjustments made pursuant to this Section 11(d).

(e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or a series of related transactions, (A) effects any merger or consolidation of the Company with or into another Person, (B) effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets, (C) effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (except for issuances by reclassification contemplated by Section 11(a)(iv)), or (D) consummates a stock or share purchase agreement or other business combination (including a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than fifty percent (50%) of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or group making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (ii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person or group of Persons) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property (each transaction or series of transactions referred to in clause (i) or (ii) above, a "Fundamental Transaction"); then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, (1) the number of shares of common stock of the successor or acquiring corporation or, if it is the surviving corporation, of the Company, and (2) any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount and components of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Board shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration (substituting the most appropriate market-based measure for the Trading Market in determining the daily VWAP from time to time for each component of the Alternate Consideration or, if no market-based measure is reasonably available for any such component, fixing the daily VWAP of such component at the value determined by such apportionment, but subject to further adjustment as provided in this Section 11). If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it

receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant of like tenor to this Warrant but adjusted to be consistent with the foregoing provisions and evidencing the Holder's right to exercise such warrant for the appropriate number of shares of capital stock and Alternate Consideration, if any, in exchange for this Warrant. The Company shall ensure that the terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 11(e) and ensuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction or series of related transactions analogous to a Fundamental Transaction.

(f) Definitions. In addition to the terms defined elsewhere in this Warrant, for all purposes of this Warrant, the following terms shall have the meanings indicated in this Section 11(a):

(i) "Exempt Issuance" means (A) shares of Common Stock or options to purchase Common Stock to directors, officers, employees or consultants (other than attorneys, law firms, accountants or accounting firms) of the Company in their capacity as such pursuant to an any employee benefit plan which has been approved by the Board prior to or subsequent to the date hereof (an "Approved Share Plan"), provided that the exercise price of any such options is not lowered, none of such options is amended to increase the number of shares issuable thereunder, and none of the terms or conditions of any such options is otherwise materially changed in any manner that adversely affects the Holder (the "Approved Share Plan Options"), (B) shares of Common Stock issued upon the conversion or exercise of Common Stock Equivalents (other than Approved Share Plan Options) issued and outstanding prior to the date hereof, provided that the conversion or exercise price of any such Common Stock Equivalents (other than Approved Share Plan Options) is not lowered, none of such Common Stock Equivalents (other than Approved Share Plan Options) is amended to increase the number of shares issuable thereunder, and none of the terms or conditions of any such Common Stock Equivalents (other than Approved Share Plan Options) is otherwise materially changed in any manner that adversely affects the Holder, or (C) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person (or the equity holders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company, and the acquisition or strategic transaction provides to the Company benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

(ii) "Variable Rate Transaction" means a transaction in which the Company (A) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (1) at a conversion price, exercise price or exchange rate or other price that is based upon, or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (2) other than with respect to customary anti-dilution provisions, with a conversion, exercise or exchange price that is subject to being

reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of any specified or contingent events directly or indirectly related to the business of the Company or any market for the Common Stock, or (B) enters into any agreement, including an equity line of credit, whereby the Company may sell securities at a future determined price.

(iii) "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (A) if the Common Stock is then listed or quoted on a trading market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the principal trading market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (B) if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported during trading hours, or (C) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Company's Board of Directors and reasonably acceptable to the Holder, the fees and expenses of which shall be paid by the Company.

(g) Calculations. All calculations under this Section 11 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock issued and outstanding at any given time for purposes of this Section 11 shall not include any shares owned or held by or for the account of the Company or any Subsidiary, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(h) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 11, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other Alternate Consideration issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments in all material respects and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's transfer agent.

(i) Notice of Corporate Events. If (A) the Company declares a dividend (or any other distribution of cash, securities or other property in whatever form) on the Common Stock, including any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary or of any rights, (B) the Company declares a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (D) the Company authorizes the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; then, in each case, the Company shall deliver to the Holder, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such

dividend, distribution, or redemption, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, or redemption are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any Subsidiary, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(j) Payment of Exercise Price. The Holder may pay the Exercise Price in one of the following manners:

(i) Cash Exercise. The Holder may pay by certified or official bank check, by intra-bank account transfer or by wire transfer of same-day funds.

(ii) Cashless Exercise. The Holder may elect instead to utilize a cashless exercise method, in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y \times ((A - B) / A)$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the closing price of shares of Common Stock for the trading day immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

12. Limitation on Exercise Pending Stockholder Approval. This Warrant shall not be exercisable by the Holder, in whole or in part, unless and until the conditions specified in Section

12.12 of the Purchase Agreement (relating to, among other things, stockholder approval of the transactions contemplated by the Purchase Agreement) have been satisfied in full.

13. No Fractional Shares. No fractional shares of Common Stock will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay the Holder an amount of cash equal to the product of such fraction multiplied by the closing price of one share of Common Stock as reported on the principal trading market for the Common Stock on the Date of Exercise.

14. Notices. Any and all notices or other communications or deliveries hereunder (including any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number pursuant to this Section 14 prior to 6:30 p.m. (New York City time) on a trading day, (ii) the next trading day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified pursuant to this Section 14 on a day that is not a trading day or later than 6:30 p.m. (New York City time) on any trading day, (iii) the trading day following the date of mailing, if sent by nationally recognized overnight courier service to the street address specified pursuant to this Section 14, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be as follows:

(a) if to the Company, to:

LiveDeal, Inc.  
2490 E. Sunset Road, Suite 100  
Las Vegas, Nevada 89120  
Attn: Chief Financial Officer  
Facsimile No.: (702) 939-0244

with a copy to (which shall not constitute notice to the Company):

Snell & Wilmer L.L.P.  
One Arizona Center  
Phoenix, Arizona 85004-2202  
Attn: Daniel M. Mahoney, Esq.  
Facsimile No.: (602) 382-6070

(b) if to the Holder, to the address, facsimile number or email or street address appearing on the Warrant Register (which shall initially be the facsimile number and email and street address set forth for the initial Holder in the Purchase Agreement);

or to such other address, facsimile number or email address as the Company or the Holder may provide to the other in accordance with this Section 14.

15. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent

shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or stockholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

16. Miscellaneous.

(a) Assignment. Subject to the restrictions on transfer described herein, the rights and obligations of the Company and the Holder shall be binding upon, and inure to the benefit of, the successors, assigns, heirs, administrators and transferees of the parties. The Company shall not have the right directly or indirectly to assign or transfer this Warrant without the prior written consent of the Holder, which may be withheld in the Holder's sole discretion, or as part of a Fundamental Transaction.

(b) No Third Party Beneficiaries. Nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant.

(c) Amendments; Waiver. This Warrant may be amended only in writing signed by the Company and the Holder, and any amendment so effected shall amend each Warrant issued pursuant to the Purchase Agreement and be binding upon each holder of such Warrants (provided, however, that any such amendment that adversely affects any holder or class of holders of such Warrants in a manner that does not apply uniformly to all holders of such Warrants, as applicable, shall require the written consent of such adversely affected holders or class). Any provision of this Warrant may be waived, but only if in writing by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Warrant shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

(d) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Arizona, without regard to principles of conflict of laws.

(e) Severability. If one or more provisions of this Warrant are held to be unenforceable under applicable law in any respect, such provision shall be excluded from this Warrant and the balance of this Warrant shall be construed and interpreted as if such provision were so excluded and shall be enforceable in accordance with its remaining terms.

*[Remainder of Page Intentionally Left Blank; Signature Page Follows]*

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

LIVEDEAL, INC., a Nevada corporation

By: \_\_\_\_\_  
Lawrence W. Tomsic  
Chief Financial Officer

[Signature Page – Warrant]

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EXERCISE NOTICE

To LiveDeal, Inc.:

The undersigned hereby irrevocably elects to purchase shares (the "Shares") of common stock, par value \$0.001 per share ("Common Stock"), of LiveDeal, Inc., a Nevada corporation, pursuant to Warrant No. \_\_\_\_\_, originally issued on \_\_\_\_\_, 2012 (the "Warrant"). The undersigned elects to utilize the following manner of exercise:

Shares: \_\_\_\_\_ Full Exercise of Warrant  
\_\_\_\_\_ Partial Exercise of Warrant (in the amount of \_\_\_\_\_ Shares)

Exercise Price: \$ \_\_\_\_\_

Manner of Exercise:  
\_\_\_\_\_ Certified or Official Bank Check  
\_\_\_\_\_ Intra-Bank Account Transfer  
\_\_\_\_\_ Wire Transfer  
\_\_\_\_\_ Cashless Exercise pursuant to Section 11(j)(ii) of the Warrant

[Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the [undersigned]/[the undersigned's nominee as is specified below].]

Date: \_\_\_\_\_

Full Name of Holder\*: \_\_\_\_\_

Signature of Holder or Authorized Representative: \_\_\_\_\_

Name and Title of Authorized Representative†: \_\_\_\_\_

Additional Signature of Holder (if jointly held): \_\_\_\_\_

Social Security or Tax Identification Number: \_\_\_\_\_

Address of Holder: \_\_\_\_\_

Full Name of Nominee of Holder†: \_\_\_\_\_

Address of Nominee of Holder†: \_\_\_\_\_

\* Must conform in all respects to name of holder as specified on the face of the Warrant.

† If applicable.

FORM OF ASSIGNMENT

*[To be completed and signed only upon transfer of Warrant]*

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the right represented by the attached Warrant to purchase \_\_\_\_\_ shares of Common Stock of LiveDeal, Inc., a Nevada corporation (the "Company"), to which the Warrant relates and appoints \_\_\_\_\_ as attorney to transfer said right on the books of the Company with full power of substitution in the premises.

Date: \_\_\_\_\_

Full Name of Holder\*: \_\_\_\_\_

Signature of Holder or Authorized Representative: \_\_\_\_\_

Name and Title of Authorized Representative†: \_\_\_\_\_

Additional Signature of Holder (if jointly held): \_\_\_\_\_

Address of Holder: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Full Name of Transferee: \_\_\_\_\_

Address of Transferee: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

\_\_\_\_\_

\* Must conform in all respects to name of holder as specified on the face of the Warrant.

† If applicable.

Exhibit 31.1

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

I, Jon Isaac, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LiveDeal, Inc (the "registrant").;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2012

/s/ Jon Isaac

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

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Exhibit 31.2

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

I, Lawrence W. Tomsic, certify that:

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 15, 2012

/s/Lawrence W. Tomsic

Lawrence W. Tomsic  
Chief Financial Officer  
(Principal Financial Officer)

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

I, Jon Isaac, the President and Chief Executive Officer of LiveDeal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of LiveDeal, Inc. on Form 10-Q for the quarter ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of LiveDeal, Inc.

Date: May 15, 2012      /s/Jon Isaac  
Jon Isaac  
President and Chief Executive Officer  
(Principal Executive Officer)

I, Lawrence W. Tomsic, 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 March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of LiveDeal, Inc.

Date: May 15, 2012      /s/Lawrence W. Tomsic  
Lawrence W. Tomsic  
Chief Financial Officer  
(Principal Financial Officer)

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