

LIVEDEAL INC
Form 10-K
January 07, 2011
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended September 30, 2010

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

For the Transition period from _____ to _____

Commission File Number: 001-33937

LiveDeal, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of Incorporation or
Organization)

85-0206668
(IRS Employer Identification No.)

2490 East Sunset Road, Suite 100
Las Vegas, Nevada
(Address of principal executive offices)

89120
(Zip Code)

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

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

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

Common Stock, \$.001 Par Value
(Title of Class)

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The aggregate market value of the registrant's common stock held by non-affiliates computed based on the closing price of such stock on March 31, 2010 was \$3,611,352.

The number of shares outstanding of the registrant's common stock, as of December 17, 2010, was 613,391 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the Registrant's 2011 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

LIVEDEAL, INC.

FORM 10-K

For the year ended September 30, 2010

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PART I

Forward-Looking Statements

Part I of this Annual Report on Form 10-K includes statements that constitute “forward-looking statements.” These forward-looking statements are often characterized by the terms “may,” “believes,” “projects,” “expects,” or “anticipates,” and not reflect historical facts. Specific forward-looking statements contained in Part I of this Annual Report include, but are not limited to, our (i) belief that local exchange carrier, or LEC, billing will continue to be a significant billing channel in the future; (ii) expectation of increasing revenues through our national accounts programs, fulfillment contracts, web hosting and other arrangements; (iii) belief in the continued growth of Internet usage and demand for online marketing; (iv) belief in the growth of the local search and information market; (v) belief that existing cash on hand and additional cash generated from operations together with additional cash obtained from other sources will provide us with sufficient liquidity to meet our needs for the next 12 months, such other sources of cash possibly including stock issuances and loans; (vi) belief that we would be able to obtain advances from our existing LEC clearing houses through their current advance programs; (vii) belief that we could obtain other forms of financing secured by or leveraged off our increasing accounts receivable based on existing programs in place that are being offered to companies similar to ours; and (viii) belief that existing facilities are adequate for our current and anticipated future needs and that our facilities and their contents are adequately covered by insurance.

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

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

ITEM 1. Business

Our Company

LiveDeal, Inc., a Nevada corporation (the “Company”, “LiveDeal”, “we”, “us” or “our”) provides local customer acquisition services for small businesses. LiveDeal, through our two primary wholly-owned subsidiaries (Velocity Marketing Concepts, Inc. and Local Marketing Experts, Inc.), offers an affordable way for businesses to extend their marketing reach to local, relevant customers via the Internet.

Summary Business Description

LiveDeal first started in the online marketing industry as YP.com. At the time, YP.com was the first company to bring the print yellow pages to the Internet in 1994. From there we moved into the online classifieds business when we merged with LiveDeal in 2007.

We believe that small businesses that can take advantage of emerging Internet capabilities will be able to acquire customers with efficiency never-before-possible and that those that cannot will suffer in comparison. So, it is becoming widely recognized among small business owners that mastering the Internet arts is essential.

But there is a gap. These new Internet services are inherently technological. They require a deep dedication of time, technological skills, language and presentation expertise and other masteries that few small business operators have, or have the intention of acquiring. We recognize that, to succeed, a small business person needs to remain intensely focused on the fundamentals of his/her business. Small businesses therefore need a partner with the necessary expertise and understanding to manage emerging Internet audience acquisition services on their behalf. They need this partner to operate quickly, proactively and at the lowest possible cost.

To that end, we have strategically created and delivered a suite of products and services designed to deliver agency quality products at an affordable cost. This new suite of products delivers high end agency products and services without the costs typically associated with a high end, online, agency firm. The suite of services has a variety of online products and various price points. These products allow LiveDeal to become the small business audience acquisition partner.

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LiveDeal customers are small business owners who work 24/7 to deliver real value to their customers in their own communities with little time left over to craft the powerful, multi-faceted, online marketing and advertising programs that today's world demands. LiveDeal has stepped up to this challenge, drawing from a decade of experience as a directory provider.

Today, we have adapted and adjusted our company goals to reflect the latest online trends with the aim of reaching as many small and medium-sized businesses as possible. In March 2010 we adopted the strategy of developing successor products to our directory business and rebuilding our customer base through mass market sales using LEC billing channels and moving away from the higher-end direct sales products offered through Local Marketing Experts, Inc (which focused on search engine marketing and website creation services together with additional add-on advertising products.). Since July 2010, the line of business historically known as our yellow page directory service was rebranded and upgraded to the InstantProfile® product and marketed under our subsidiary Velocity Marketing Concepts, Inc. This new product, which is part of the InstantAgency suite of products, provides online subscription tools and services to broadcast information about a business to the top (based on popularity) Internet directories, search engines results, social media networks, and Points-of-Interest (POI) databases embedded on the leading navigational devices. This ensures that our customers are distributed to sites such as Google, Yahoo, Bing, Facebook, Twitter and others through our distribution network. Additionally, customers receive a communication suite that allows both conference call hosting and electronic fax services. This strategy has culminated in the cessation of all new sales under the Local Marketing Experts, Inc. subsidiary on December 1, 2010. Based on the fact that sales of the InstantProfile product have exceeded our expectations, we are focusing our efforts on increasing our sales under Velocity Marketing Concepts, Inc. and expanding the range of products offered to the market through this sales outlet.

Products and Services

InstantProfile. As described above, our Internet Advertising Product ("IAP") package was discontinued this year with the launch of the InstantProfile product. All IAP customers were moved to InstantProfile to take advantage of the new product and features. Under this package, the advertiser pays for exposure utilizing our InstantProfile product. The advertiser enjoys the benefit of having its business distributed to top Internet destinations (based on popularity), including the search engines, top directories, and social media networks. This gives the advertiser the ability to manage its business information in one location and maximize its reach to many locations, as a consumer may search broadly for local business services. InstantProfile customers also enjoy additional benefits with tools to communicate directly with their customers and employees. The InstantProfile platform includes:

§ One location to manage business contact information through the syndication network to the top search engines, directories, and social media networks.

§ Broadcasting messages to the top social media networks.

§ Conference call solution.

§ Electronic faxing solution.

InstantProfile Pricing. We generally price our InstantProfile product between \$27.50 and \$49.00 per month, which includes all of the service benefits previously described. We believe that these prices are comparable to the prices of our competitors, and we believe that our product provides superior value to our advertisers when considering the many benefits that they receive, including the ease of use, broad internet distribution and communication tools.

Billing. Our billing process allows us to deliver high levels of service to our customers through convenient and timely billing and payment options. We currently bill our advertisers through (i) their local exchange carrier ("LEC"), (ii) Automated Clearing House ("ACH") billing, (iii) their credit card or (iv) direct bill invoices.

Similar to the local Regional Bell Operating Companies, we are approved to bill our products and services directly on some of our advertisers' local telephone bill through their LEC, commonly referred to as their local telephone

company. We believe that this is an efficient and cost-effective billing method as compared to direct billing methods.

In order to bill our advertisers through their LECs, we are required to use one or more billing service aggregators. These aggregators have been approved by various LECs to provide billing, collection, and related services through the LECs. Under these agreements, our service aggregators bill and collect our charges to our advertisers through LEC billing and remit to us the proceeds, net of fees, bad debt reserves, customer returns, and unbillable accounts, typically within 90 days of submission.

We also use billing service providers to process billings via recurring direct bank account withdrawal options through ACH billings. These service providers process direct bank withdrawals through an Automated Clearing House and remit the proceeds, net of fees and refunds to advertisers that cancel their service, typically within 15 days of settlement.

Under our contractual agreements with our LEC billing service aggregators, these third parties are entitled to withhold certain amounts from our net proceeds to serve as a security deposit or “holdbacks” or “reserves.” Such amounts are generally remitted to us over a 12-18 month period, depending on the terms of the respective agreements. An ACH processor maintains a fixed security deposit as a reserve.

Direct Sales, now known as Local Marketing Experts, Inc. In February 2008, we added a new line of business that utilizes, but is not entirely dependent on, our directory websites and billing services. This line of business is based on using telesales and sophisticated Internet audience acquisition technologies to deliver a suite of audience acquisition services to small businesses. This line of business became known as Local Marketing Experts, Inc. in April 2010. As described above, on December 1, 2010 we ceased all new sales under this line of business to focus more of the company's resources and capital on expansion and further development of the InstantProfile product and its companion products. We will continue to support, fulfill and maintain all customers acquired under this line of business as long as it is economically beneficial to do so.

Local Marketing Experts, Inc. customers signed up for a one year contract paid equally over twelve months. Products and services ranged in price from \$4,500 per year to \$10,000 a year paid via credit card in 12 monthly installments.

The Internet Yellow Pages Advertising Market

According to The Kelsey Group (a leading consultant in the local advertising market) it is expected that by 2014, the U.S. local media advertising will reach \$145.2 billion. Overall, the interactive advertising market is showing a strong rebound from economic challenges.

The Kelsey Group is forecasting that the percentage of local searches will surge from 12.7% in 2009 to 17% in 2010. In fact, Google executives have openly commented that they are observing 20% of searches to be local. Given the overall search engine mix, The Kelsey Group is estimating the percentage across all U.S. search engines to be 17%. Additionally the number of searches per person per month will grow substantially from 90 in 2009 to 110 in 2010. ComScore tracking shows similar per searcher results at midyear 2010, increasing overall confidence.

§ Total Local advertising spend is forecast at \$133.33 billion in 2010, rising to \$137.3 billion in 2012 and to \$145.2 billion in 2014.

§ The local advertising market is currently dominated by traditional media, however, there is a steady increase in online spending from \$19.6 billion in 2010 to \$35.2 billion projected in 2014.

§ By comparison, classifieds and verticals ended 2009 at \$3.9 billion, down \$1 billion from 2008. Classified performance last year declined substantially, down 30% in the second quarter, year over year, and down 21% for the full year. Classifieds as a format continues to struggle.

We believe the following factors will cause our Online Marketing Spend to continue to grow:

§ Online advertising reaches more users as search queries continue to increase as local newspapers, printed directories and other local printed mediums continue to reduce circulation (and, in turn, their impact and reach) due to high cost and in turn their reach.

§ Online users are becoming trained to use the Internet as a whole and not only their computer largely due to the broad accessibility via computers and hand-held devices, such as mobile phones and personal digital assistant.

§ Features such as mapping, direct calling to the advertiser, and e-mail at the click of a button have become more prevalent.

Additionally, online advertising generally delivers trackable returns on investment. For every marketing dollar spent, there is the ability to access and modify displays and advertisements, which allows for opportunistic or targeted specials or discounts; something the consumer has been trained to expect.

Search engines are a common method by which users navigate the Internet. We expect to expand our distribution network to allow our advertisers to benefit from this growth by seeking prominent placement for them in search engine results.

Marketing

Today, we utilize various online marketing methods to drive users and advertisers to our website properties. In fact, we utilize the very products and services we offer to the small businesses to market ourselves. These services include our corporate and product websites, Search Engine Marketing, website videos, and Display Advertising. In addition to online marketing, we generate leads for our telemarketing group through industry specific trade show event participation, referral partnerships with vertical specific trade associations, referral bounties from existing customers and traditional list purchases.

Each subsidiary (Local Marketing Experts, Inc and Velocity Marketing Concepts, Inc.) has its own website, brand and overall product target message while the LiveDeal.com corporate website defines our company story and also promotes the overall line of products and services.

We do not currently sell our products via e-commerce. We believe that our products and services are best suited for the telesales process. We offer a consultative sales process that interviews the customer regarding their needs and their goals. We recommend products and services that are customized to achieve the small business' goals. We have a strategic line up of products and services that cover an array of online needs.

Technology and Infrastructure

We believe best of breed technology partnerships enable the company to continually evaluate and align ourselves with the best technology solutions available. In today's high technology world, applications and tools can be outdated in weeks let alone months. Costs associated with technology development at the risk of being outdated have encouraged us to research and attain the best product available in each of our product categories.

§	Eliminated homegrown systems in favor of open, best-of-breed solutions
-	Lower cost approach
-	No future development costs
-	Better back-up and reliability
§	Able to partner with any vendor or platform
-	Plug and play approach
-	Greatly improved speed to market
-	Increased flexibility

§ We have gone to cloud computing options to replace and maintain outdated hardware

The cloud technology we have chosen to embrace combines the power and flexibility of infrastructure-as-a-service with the security and availability that organizations with mission-critical computing needs demand of their infrastructure. Because it is based on resources, not large and inflexible server units, cloud technology allows for precise and dynamic allocation of computing resources when and where they are needed.

The environment leverages technology from world-class infrastructure partners such as VMware, Cisco, HP and IBM to achieve unmatched flexibility and control. The clustered grid architecture provides complete physical redundancy to eliminate downtime due to hardware failure. In fact, the system can even move applications across physical devices live and with no service interruption. And automated resource balancing provides continuous monitoring and optimization to ensure peak performance. Storage is delivered on a redundant, high-performance Fibre-attached SAN architecture. This allows for the addition of disks to virtual servers in increments of 1GB to 512GB when needed from the storage pool.

Security in the cloud is also an issue that is addressed through the provision of a highly secure foundation for our business applications, with an architecture designed to help meet today's critical compliance and certification requirements, including SAS 70 Type II, PCIDSS and Safe Harbor.

End user software is web-based. The deployment of this software allows us the maximum level of flexibility to implement strategic product and marketing partners. Using premier SaaS (software as a service) vendors, we are able to deploy products and initiatives in a fast and efficient manner.

We have deployed sales force automation and customer relationship management software including Salesforce.com to organize, collaborate and synchronize business processes related to customer acquisition and support. We use this technology to manage all aspects of the sales and customer lifecycle including prospect management, the sale, product provisioning and post-sale support.

Billing is completed through specialized subscription management software. We are able to automate and manage subscription billing via credit card, checking/ACH or LEC (local exchange carrier) billing. We are able to bill any type of recurring subscription as well as rate usage charges giving us full pricing and package flexibility.

Our technology provides a strong but flexible framework for our operation that allows us to grow and adapt with the Market.

Competition

We operate in the highly competitive and rapidly expanding and evolving business-to-business Internet services market. Our largest competitors are LECs, which are generally known as local telephone companies, and national search engines such as Yahoo! and Google that have recently expanded their presence in the local search market. We compete with other online Yellow Pages services, website operators, advertising networks, and traditional offline media, such as traditional Yellow Pages directory publishers, television, radio, and print share advertising. Our services also compete with many directory website production businesses and Internet information service providers. Our audience acquisition services compete with advertising agencies and other businesses providing somewhat similar services.

The principal competitive factors in the markets in which we compete include personalization of service, ease of use of directories, quality and responsiveness of search results, availability of quality content, value-added products and services, and access to end-users. We compete for advertising listings with the suppliers of Internet navigational and informational services, high-traffic websites, Internet access providers, and other media. This competition could result in significantly lower prices for advertising and reductions in advertising revenues. Increased competition could have a material adverse effect on our business.

Many of our competitors have greater capital resources than we have. These capital resources could allow our competitors to engage in advertising and other promotional activities that will enhance their brand name recognition at levels we cannot match. The LECs and national search engines also have advantages in terms of brand name recognition.

We believe that we are in a position to successfully compete in these markets due to our experience at sourcing, selling and servicing large numbers of small business accounts, the comprehensiveness of our database, and the effectiveness of our marketing programs and our distribution network. We also believe that our products provide a simple and affordable way of creating a web presence and marketing their products and services to local audiences. We further believe that we can compete effectively by continuing to provide quality services at competitive prices and by actively developing new products and services for customers that enable us to become a one-stop shop for all online marketing needs of the small business regardless of the price point.

Employees

As of December 6, 2010, we had 23 full-time and no part-time employees in the United States. None of our employees are covered by any collective bargaining agreements.

ITEM 1A. Risk Factors

An investment in our common stock involves a substantial degree of risk. Before making an investment decision, you should give careful consideration to the following risk factors in addition to the other information contained in this report. The following risk factors, however, may not reflect all of the risks associated with our business or an investment in our common stock. The trading price of our common stock could decline significantly due to any of these risks and investors may lose all or part of their investments. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Annual Report on Form 10-K, including our consolidated financial statements for the fiscal year that ended on September 30, 2010 and related notes.

Risks Related to Our Business

Uncertainty in the market for our products and services.

The demand and market acceptance for our services may be subject to a high level of uncertainty. Advertisers and users may not adopt or continue to use our Internet-based marketing services and other online services that we may offer in the future. Advertisers may find our Internet-based marketing services to be less effective for meeting their business needs than other methods of advertising and marketing. Our business, prospects, financial condition or results of operations will be materially and adversely affected if we do not execute our strategy or our services are not adopted by a sufficient number of advertisers.

We will incur operating losses and significant volatility in operations while we develop our new business segment.

During the fiscal year ended September 30, 2010, we incurred substantial operating losses as we transitioned our business toward our new strategic focus. We will continue to incur operating losses as we develop our new business segment, which will be financed through existing cash on hand. While we believe our existing cash on hand, together with additional cash generated from operations or obtained from other sources, such other sources of cash possibly including stock issuances, loans and advances from our existing LEC clearing houses through their current advance programs or other forms of financing secured by or leveraged off our increasing accounts receivable based on existing programs in place that are being offered to companies similar to ours; is sufficient to finance our operations for the next twelve months, there can be no assurance that we will achieve profitability or positive operating cash flows. To the extent that we cannot achieve profitability or positive operating cash flows, our business will be materially and

adversely affected. Further, this new business segment 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 from this new business segment.

We have sold a significant portion of our assets and customer list associated with our directory services business.

During fiscal 2009, as part of our changing business strategy, we sold our primary URL, www.yip.com, as well as a portion of our customer list. Further, certain fulfillment contracts were terminated during the fiscal year 2009. These transactions will continue to result in a significant loss of future revenue which could adversely impact our financial condition and results of operations.

As a result of the cessation of billing of the accounts subject to these sales or terminations of billing contracts during the fiscal year 2009, the reserves held by the LEC processors, and carried by us as accounts receivable, are no longer increasing as a result of continued billing for services provided to directory business customers. Further, the LEC processors continue to deduct their expenses from these reserves. We have made reasonable estimates of these potential expenses over the expected period of collection of these reserve amounts held-back by the LEC processors. However, it is possible that the actual expenses billed by the LEC processors in the future could vary significantly from the estimates made by the Company, thereby affecting the amounts collectible from the booked accounts receivable.

The discontinuance of our classifieds and Direct Sales businesses could adversely impact our financial condition.

In fiscal year 2009 we made the strategic decision to discontinue our classifieds business and product offerings which have historically generated a majority of our revenues and in December 2010 we made the strategic decision to discontinue our Direct Sales business. These discontinuances will continue to reduce our revenues that were generated from these product lines, particularly with respect to those customers who sought an integrated Yellow Pages and classifieds product.

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

Search engine optimization and online marketing services are emerging fields with a considerable amount of competitors in each field. Additionally, major Internet companies, including Google, Microsoft, Verizon, and Yahoo!, currently market Internet Yellow Pages, local search services and other products that directly compete with our legacy business as well as our new product offerings. We may not compete effectively with existing and potential competitors for several reasons, including the following:

§ some competitors have longer operating histories and greater financial and other resources than we have and are in better financial condition than we are;

§ some competitors have better name recognition, as well as larger, more established, and more extensive marketing, customer service, and customer support capabilities than we have;

§ some competitors may supply a broader range of services, enabling them to serve more or all of their customers' needs;

§ some competitors may be able to better adapt to changing market conditions and customer demand; and

§ barriers to entry are not significant. As a result, other companies that are not currently involved in the online marketing business may enter the market or develop technology that reduces the need for our services.

Increased competitive pressure could lead to reduced market share, as well as lower prices and reduced margins, for our services. If we experience reductions in our revenue for any reason, our margins may continue to decline, which would adversely affect our results of operations. We cannot assure you that we will be able to compete successfully in the future.

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

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

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

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

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

Our operating results have historically fluctuated significantly, and we have experienced recent declines in net revenues and operating profits. We could continue to experience fluctuations or continued declining operating results due to factors that may or may not be within our control. Such factors include the following:

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§ fluctuating demand for our services, which may depend on a number of factors including:

- changes in economic conditions and our advertisers' profitability,
- advertiser refunds or cancellations, and
- our ability to continue to bill through existing means;

§ market acceptance of new or enhanced versions of our services or products;

§ price competition or pricing changes by us or our competitors;

§ new product offerings or other actions by our competitors;

§ the ability of our check processing service providers to continue to process and provide billing information regarding our solicitation checks;

§ the amount and timing of expenditures for expansion of our operations, including the hiring of new employees, capital expenditures, and related costs;

§ technical difficulties or failures affecting our systems or the Internet in general;

§ a decline in Internet traffic at our website; and

§ the fixed nature of a significant amount of our operating expenses.

The loss of our ability to bill advertisers through our ACH billing channel would adversely impact our results of operations.

We bill a significant number of our Directory Services advertisers through our ACH billing channel. ACH transactions are closely regulated by NACHA – The Electronic Payments Association, which develops operating rules and business practices for the ACH network and for electronic payments in the areas of Internet commerce and other electronic payment means. Changes in these rules and business practices could compromise our ability to bill a significant number of our advertisers through ACH billing, and we would have to transition these advertisers to other billing channels. Such changes would be disruptive and result in lost revenue.

We depend upon our executive officers and key personnel.

Our performance depends substantially on the performance of our executive officers and other key personnel. The success of our business in the future will depend on our ability to attract, train, retain, and motivate high quality personnel, especially highly qualified technical and managerial personnel. The loss of services of any executive officers or key personnel could have a material adverse effect on our business, results of operations or financial condition.

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

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

We depend upon third-party software to operate certain of our services. The failure of this software to perform as expected would have a material adverse effect on our business. Additionally, although we believe that several alternative sources for this software are available, any failure to obtain and maintain the rights to use such software would have a material adverse effect on our business, prospects, financial condition, and results of operations. We also depend upon third parties to provide services that allow us to connect to the Internet with sufficient capacity and bandwidth so that our business can function properly and our websites can handle current and anticipated traffic. Any restrictions or interruption in our connection to the Internet would have a material adverse effect on our business, prospects, financial condition, and results of operations.

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

Although we currently have no material long-term needs for capital expenditures, we will likely be required to make increased capital expenditures to fund our anticipated growth of operations, infrastructure, and personnel. We currently anticipate that our cash on hand as of September 30, 2010, together with cash flows from operations or obtained from other sources, such other sources of cash possibly including stock issuances, loans and advances from our existing LEC clearing houses through their current advance programs or other forms of financing secured by or leveraged off our increasing accounts receivable based on existing programs in place that are being offered to companies similar to ours will be sufficient to meet our anticipated liquidity needs for working capital and capital expenditures over the next 12 months. In the future, however, we may seek additional capital through the issuance of debt or equity depending upon our results of operations, market conditions or unforeseen needs or opportunities. Our future liquidity and capital requirements will depend on numerous factors, including the following:

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

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties and actual results could vary materially as a result of the factors described above. As we require additional capital resources, we may seek to sell additional equity or debt securities. Debt financing must be repaid at maturity, regardless of whether or not we have sufficient cash resources available at that time to repay the debt. The sale of additional equity or convertible debt securities could result in additional dilution to existing stockholders. We cannot provide assurance that any financing arrangements will be available in amounts or on terms acceptable to us, if at all.

Our business is subject to a strict regulatory environment.

Existing laws and regulations and any future regulation may have a material adverse effect on our business. For example, we believe that our direct marketing programs meet existing requirements of the United States Federal Trade Commission (“FTC”). Any changes to FTC requirements or changes in our direct or other marketing practices, however, could result in our marketing practices failing to comply with FTC regulations.

On December 14, 2006, we voluntarily entered into a settlement with thirty-four states’ attorneys general to address their concerns regarding our promotional activities, including the use of our check mailer for customer acquisition.

There can be no absolute assurance that the other states or other parties, which were not part of the above-mentioned state consortium, would not attempt to file similar claims against us in the future. However, we believe this risk is somewhat mitigated by the fact that those states did not join the states in filing complaints against us and the fact that we are discontinuing the use of our check activators. Finally, our utilization of ACH billing has exposed us to greater scrutiny by the National Automated Clearing House Association, or NACHA. Future actions from these and other regulatory agencies could expose us to substantial liability in the future, including fines and criminal penalties, preclusion from offering certain products or services, and the prevention or limitation of certain marketing practices.

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

Our success depends both on our internally developed technology and our third party technology. We rely on a variety of trademarks, service marks, and designs to promote our brand names and identity. We also rely on a combination of contractual provisions, confidentiality procedures, and trademark, copyright, trade secrecy, unfair competition, and

other intellectual property laws to protect the proprietary aspects of our products and services. Legal standards relating to the validity, enforceability, and scope of the protection of certain intellectual property rights in Internet-related industries are uncertain and still evolving. The steps we take to protect our intellectual property rights may not be adequate to protect our intellectual property and may not prevent our competitors from gaining access to our intellectual property and proprietary information. In addition, we cannot provide assurance that courts will always uphold our intellectual property rights or enforce the contractual arrangements that we have entered into to protect our proprietary technology.

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

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

§ cease selling or using any of our products that incorporate the challenged intellectual property, which would adversely affect our revenue;

§ obtain a license from the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all; and

§ redesign or, in the case of trademark claims, rename our products or services to avoid infringing the intellectual property rights of third parties, which may not be possible and in any event could be costly and time-consuming.

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

Capacity constraints may require us to expand our infrastructure and advertiser support capabilities.

Our ability to provide high-quality services largely depends upon the efficient and uninterrupted operation of our computer and communications systems. We may be required to expand our technology, infrastructure, and customer support capabilities in order to accommodate any significant growth in customers. We may not be able to project accurately the rate or timing of increases, if any, in the use of our services or expand and upgrade our systems and infrastructure to accommodate these increases in a timely manner. Our inability to upgrade and expand our infrastructure and customer support capabilities as required could impair the reputation of our brand and our services and diminish the attractiveness of our service offerings to our advertisers.

Any expansion of our infrastructure may require us to make significant upfront expenditures for servers, routers, computer equipment, and additional Internet and intranet equipment, as well as to increase bandwidth for Internet connectivity. Any such expansion or enhancement will need to be completed and integrated without system disruptions. An inability to expand our infrastructure or customer service capabilities either internally or through third parties, if and when necessary, would materially and adversely affect our business, prospects, financial condition, and results of operations.

Current economic conditions may adversely affect our industry, business and results of operations.

The U.S. and global economy is currently undergoing a gradual and extended recovery from a prolonged recession and a period of unprecedented volatility. It is unclear how prolonged this recovery will be and how it will affect our industry in particular. Many believe that the general future economic environment may continue to be less favorable than that of recent years. If the challenging economic conditions in the U.S. and other key countries persist or worsen, our customers may delay or reduce spending. This could result in reductions in sales of our products and services, longer sales cycles and increased price competition. Any of these events would likely harm our business, results of operations and financial condition.

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

At times, we are a party to lawsuits in the normal course of our business. Litigation can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, operating results, or financial condition.

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

We regularly look for opportunities to support our new business strategy through appropriate acquisitions, divestitures and/or strategic alliances. There can be no assurance that we will be successful in identifying appropriate transaction partners or integrating the results of any such transactions in a way that ultimately supports our business strategy. Any such transactions could also involve the dilutive issuance of equity securities and/or the incurrence of debt. In addition, future strategic transactions may involve numerous other risks, including but not limited to:

§ exposure to unanticipated liabilities of an acquired company (or acquired assets);

§ the potential loss of key customers or key personnel in connection with, or as the result of, a transaction;

§ the recording of goodwill and intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges;

§ the diversion of the attention of our management team from other business concerns, including the day-to-day management of our Company and/or the internal growth strategies that they are currently implementing; and

§ the risk of entering into markets or producing products where we have limited or no experience, including the integration of the purchased technologies and products with our technologies and products.

Risks Related to the Internet

We may not be able to adapt as the Internet and advertiser demands continue to evolve.

Our failure to respond in a timely manner to changing market conditions or client requirements could have a material adverse effect on our business, prospects, financial condition, and results of operations. The Internet, e-commerce, and the online marketing industry are characterized by:

§ rapid technological change;

§ changes in advertiser and user requirements and preferences;

§ frequent new product and service introductions embodying new technologies; and

§ the emergence of new industry standards and practices that could render our existing service offerings, technology, and hardware and software infrastructure obsolete.

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

§ enhance our existing services and develop new services and technology that address the increasingly sophisticated and varied needs of our prospective or current advertisers;

§ license, develop or acquire technologies useful in our business on a timely basis; and

§ respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

We may be required to keep pace with rapid technological change in the Internet industry.

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

Regulation of the Internet may adversely affect our business.

Due to the increasing popularity and use of the Internet and online services such as online Yellow Pages, federal, state, local, and foreign governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the Internet and other online services. These laws and regulations may affect issues such as user privacy, pricing, content, taxation, copyrights, distribution, and quality of products and services. The laws governing the Internet remain largely unsettled, even in areas where legislation has been enacted. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, and taxation apply to the Internet and Internet advertising and directory services. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose additional burdens on companies conducting business over the Internet. Any new legislation could hinder the growth in use of the Internet generally or in our industry and could impose additional burdens on companies conducting business online, which could, in turn, decrease the demand for our services, increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition, and results of operations.

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

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

The extent to which laws protecting trademarks and similar proprietary rights will be extended to protect domain names currently is not clear. We therefore may be unable to prevent competitors from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our domain names, trademarks, trade names, and other proprietary rights. We cannot provide assurance that potential users and advertisers will not confuse our domain names, trademarks, and trade names with other similar names and marks. If that confusion occurs, we may lose business to a competitor and some advertisers and users may have negative experiences with other companies that those advertisers and users erroneously associate with us. The inability to acquire and maintain domain names that we desire to use in our business, and the use of confusingly similar domain names by our competitors, could have a material adverse affect on our business, prospects, financial conditions, and results of operations in the future.

Our business could be negatively impacted if the security of the Internet becomes compromised.

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

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

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

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

We aggregate and distribute third-party data and other content over the Internet. In addition, third-party websites are accessible through our website or those of our advertisers. As a result, we could be subject to legal claims for defamation, negligence, intellectual property infringement, and product or service liability. Other claims may be based on errors or false or misleading information provided on or through our website or websites of our directory licensees. Other claims may be based on links to sexually explicit websites and sexually explicit advertisements. We

may need to expend substantial resources to investigate and defend these claims, regardless of whether we successfully defend against them. While we carry general business insurance, the amount of coverage we maintain may not be adequate. In addition, implementing measures to reduce our exposure to this liability may require us to spend substantial resources and limit the attractiveness of our content to users.

Risks Related to Our Securities

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

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

§ decreased demand in the Internet services sector;

§ variations in our operating results;

- § announcements of technological innovations or new services by us or our competitors;
- § changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- § our failure to meet analysts' expectations;
- § changes in operating and stock price performance of other technology companies similar to us;
- § conditions or trends in the technology industry;
- § additions or departures of key personnel; and
- § future sales of our common stock.

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

Certain provisions of Nevada law and in our charter may prevent or delay a change of control of our company.

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

- § the authority of our board to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;
- § all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent unless such action or proposal is first approved by our board of directors;
- § special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company; and

§ cumulative voting is not allowed in the election of our directors.

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

Our common stock may be subject to the “penny stock” rules as promulgated under the Exchange Act.

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

Our stock price may result in our failure to maintain compliance with NASDAQ Listing Rules related to minimum stock price requirements, which could result in NASDAQ delisting our common stock.

NASDAQ Listing Rules require us to maintain a closing bid price of \$1.00 per share for our common stock. In the event that our common stock closing bid price falls below \$1.00 per share for 30 consecutive business days, we would likely receive notice from NASDAQ that we are not in compliance with Listing Rules, which could ultimately lead to the delisting of our common stock from NASDAQ if we were unable to maintain the requisite minimum stock price during the subsequent probationary period. In the event that we were delisted from NASDAQ, our common stock would become significantly less liquid, which would adversely affect its value. Although our common stock would likely be traded over-the-counter or on pink sheets, these types of listings involve more risk and trade less frequently and in smaller volumes than securities traded on NASDAQ. On April 8, 2010, LiveDeal received a letter from NASDAQ's Listing Qualifications Department informing the Company of its failure to comply with NASDAQ's minimum bid price requirement. At the time, the Company was given a 180-day grace period (until October 5, 2010) to regain compliance, during which time the Company's common stock continued to be traded on the NASDAQ Capital Market. Effective on September 7, 2010, LiveDeal implemented a 1-for-10 reverse stock split as a strategy to increase its minimum bid price and regain compliance with NASDAQ rules. On September 21, 2010, the Company received a letter from NASDAQ confirming that it had regained compliance with the applicable rules, and that the matter was closed. There can be no assurance, however, that we will maintain compliance with applicable NASDAQ listing rules in the future, or that our common stock will continue to be traded on the NASDAQ Capital Market (or any other securities exchange or market).

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

We entered into a long-term lease, which began in November 2007, for a 12,635 square foot facility in Las Vegas, Nevada that functions as the headquarters and operating facility for LiveDeal, Inc. and our subsidiaries. We pay rent of approximately \$315,000 annually under the lease which expires on December 31, 2012.

We also have a long-term lease for a 16,772 square foot facility in Mesa, Arizona that was formerly used to house our corporate headquarters. We pay rent of approximately \$120,000 annually under this lease, which expires in June 2011. Although we are no longer utilizing this space for our operations, we are responsible for the remaining lease payments and our accounting treatment with respect to the lease has not changed.

We believe that these facilities are adequate for our current and anticipated future needs and that all of these facilities and their contents are adequately covered by insurance.

ITEM 3. Legal Proceedings

Except as described below, as of September 30, 2010, we were not a party to any pending material legal proceedings other than claims that arise in the normal conduct of our business. While we currently believe that the ultimate outcome of these proceedings will not have a material adverse effect on our consolidated financial condition or results of operations, litigation is subject to inherent uncertainties. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on our net income in the period in which a ruling occurs. Our estimate of the potential impact of the following legal proceedings on our financial position and our results of operation could change in the future.

Joe Cunningham v. LiveDeal, Inc. et al.

On July 16, 2008, Joseph Cunningham, who was at the time a member of LiveDeal's Board of Directors, filed a complaint with the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA") alleging that the Company and certain members of its Board of Directors had engaged in discriminatory employment practices in violation of the Sarbanes-Oxley Act of 2002's statutory protections for corporate whistleblowers when the Board of Directors removed him as Chairman on May 22, 2008. In his complaint, Mr. Cunningham asked OSHA to order his appointment as Chief Executive Officer of the Company or, in the alternative, to order his reinstatement as Chairman of the Board. Mr. Cunningham also sought back pay, special damages and litigation costs.

On July 16, 2010, Mr. Cunningham attempted to amend his OSHA complaint to include an additional adverse action allegation. On September 20, 2010, OSHA issued a letter informing Mr. Cunningham that as a former board member and alleged prospective interim CEO, he is not considered an "employee" under the relevant statute, which is a required element for his claims. Accordingly, OSHA dismissed Mr. Cunningham's complaint.

On October 20, 2010, Mr. Cunningham filed objections to OSHA's findings. Mr. Cunningham's appeal of OSHA's ruling is currently pending.

State of Washington v. LiveDeal, Inc. et al.

On December 16, 2006, the State of Washington Attorney General's office entered into a Consent Decree with LiveDeal, Inc. (known at the time as YP Corp.) and its subsidiary, Telco Billing, Inc. Pursuant to the Consent Decree, the Company agreed to provide certain confidential, trade secret information to the Attorney General's office as part of the settlement of a regulatory dispute between the State of Washington and the Company.

On July 14, 2009, the Attorney General's office contacted the Company to request certain confidential, trade secret information to which it was entitled under the Consent Decree. The Company acknowledged its obligation to provide the requested information but asked the Attorney General's office to verify that it would not provide such information to third parties. When the Company was informed by opposing legal counsel in a private litigation matter that the Attorney General's office intended to provide its confidential, trade secret information to such counsel's client and other third parties immediately upon receipt, the Company began taking certain steps to protect the sensitive information while complying with its obligations under the Consent Decree.

Following unsuccessful settlement discussions in which the Attorney General's office refused to enter into any agreement not to share the confidential information with third parties (including the Company's opponents in pending private litigation), the Company sought a protective order in the State of Washington's King County Superior Court (Case No. 06-2-39213-2 SEA) on September 8, 2009, which was denied on November 16, 2009. The Company appealed in State of Washington's Court of Appeals (Division I, Case No. 64539-1) and moved to stay the effect of the November 16, 2009 ruling. The appeal was denied. After denial of the appeal, the Company and the Attorney General's office cooperatively resolved their dispute. The matter is considered closed.

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. GES has alleged in its complaint that the Company's use of activator checks violated the Washington Consumer Protection Act. GES seeks injunctive relief against the Company's use of the checks, as well as judgment in an amount equal to three times the alleged damages sustained by GES and the members of the class. LiveDeal has denied the allegations. Early in 2010, the Court denied both parties' dispositive motions after oral argument. Active litigation is temporarily suspended and the parties are engaged in settlement discussions.

Complaint filed by Illinois Attorney General against LiveDeal, Inc.

As the Company has previously disclosed, on November 12, 2008, the Illinois Attorney General filed a complaint in the Court against the Company requesting money damages and injunctive relief for claims that the Company employed deceptive and unfair acts and practices in violation of the Illinois Consumer Fraud and Deceptive Business Act in a telemarketing campaign that in part promoted premium Internet yellow page listings to Illinois consumers. The Company denied the allegations, and the Court subsequently denied both parties' dispositive motions.

On September 2, 2010, a Final Judgment and Consent Decree (the "Consent Decree") providing for the settlement of the Company's ongoing litigation with the Illinois Attorney General was filed by the Circuit Court of the Seventh Judicial Circuit of the State of Illinois (Sangamon County). The Consent Decree was previously executed by the Company and the Illinois Attorney General.

As set forth in the Consent Decree, the terms of the settlement required the Company to make a \$10,000 contribution to the Illinois Attorney General Court Ordered and Voluntary Compliance Payment Projects Fund for Consumer Enforcement and Education. Illinois consumers who entered into an Internet yellow pages contract on or after January 1, 2007, and who have not already cancelled such listing and received a full refund, were also entitled to a full

refund from the Company (provided that they did not actually and knowingly agree to purchase the Company's Internet yellow page listings). Consumers needed to provide written notice of their demand for a refund within 60 days after the entry of the Consent Decree, and the Company had up to 120 days after the date of the Consent Decree to challenge any consumer's right to a refund. No consumers submitted a claim during the claim period.

Among other things, the Consent Decree restricts the Company from soliciting, billing, or knowingly causing Illinois consumers to be billed for Internet yellow page listings for a period of five years.

ITEM 4. (Removed and Reserved)

PART II

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

Our Common Stock

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

The following table sets forth the quarterly high and low sale prices per share of our common stock during the last two fiscal years. All prices have been adjusted to reflect the reverse stock split that was completed on September 7, 2010.

	Quarter Ended	High	Low
2009	December 31, 2008	\$ 20.00	\$ 10.20
	March 31, 2009	\$ 22.00	\$ 12.40
	June 30, 2009	\$ 21.00	\$ 10.00
	September 30, 2009	\$ 17.00	\$ 10.10
2010	December 31, 2009	\$ 23.80	\$ 11.70
	March 31, 2010	\$ 17.00	\$ 5.50
	June 30, 2010	\$ 8.40	\$ 5.00
	September 30, 2010	\$ 7.41	\$ 3.30

Holders of Record

On December 1, 2010, there were approximately 181 holders of record of our common stock according to our transfer agent. The Company has no record of the number of stockholders who hold their stock in "street name" with various brokers.

Dividend Policy

We have one class of authorized preferred stock (Series E Preferred Stock), of which there are currently 127,840 shares issued and outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of \$0.015 per year. At September 30, 2010, we had accrued but unpaid dividends totaling approximately \$10,100.

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

Issuer Purchases of Equity Securities

During the year ended September 30, 2009, the Company's existing repurchase plan which authorized repurchases of up to \$1,000,000 of common stock from time to time on the open market was increased by another \$500,000, and the Company acquired an aggregate of 34,611 shares of its common stock at market prices at an aggregate cost of \$532,521.

During the year ended September 30, 2010, the Company acquired an aggregate of 1,341 shares of its common stock at market prices at an aggregate cost of \$25,882. At September 30, 2010 the Company had retired all but 4,252 shares of treasury stock.

Securities Authorized for Issuance Under Equity Compensation Plans

Reference is made to Note 12 of the notes to our consolidated financial statements for certain disclosures about the Company's equity compensation plans.

Performance Graph

Compare 5-Year Cumulative Total Return
Among LiveDeal, Inc., Wilshire 5000 Index
And Dow Jones Internet Index

Assumes \$100 Invested on September 30, 2005
Assumes Dividends, if any, Reinvested
Fiscal Year Ended September 30, 2010

	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010
LiveDeal, Inc.	\$ 100.00	\$ 103.53	\$ 75.20	\$ 17.06	\$ 18.20	\$ 5.62
Wilshire 5000 Index	\$ 100.00	\$ 108.60	\$ 125.00	\$ 96.63	\$ 88.79	\$ 97.82
Dow Jones Internet Services Index	\$ 100.00	\$ 123.32	\$ 144.75	\$ 119.86	\$ 137.08	\$ 188.55

ITEM 6. Selected Financial Data

Not required for smaller reporting companies.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the fiscal year ended September 30, 2010, this "Management's Discussion and Analysis" should be read in conjunction with the Consolidated Financial Statements, including the related notes, appearing in Item 8 of this Annual Report.

Forward-Looking Statements

This portion of this Annual Report on Form 10-K includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Annual Report include, but are not limited to our (i) expectation that continued investment in online advertising to bring increased traffic to our websites will drive increased revenues; (ii) expectation that there are no further impacts to our results of operations from the Attorneys' General settlement; (iii) expectation that cost of sales will continue to be directly correlated to our use of the LEC billing channel and (iv) belief that our existing cash on hand, together with additional cash generated from operations or obtained from other sources, such other sources of cash possibly including stock issuances, loans and advances from our existing LEC clearing houses through their current advance programs or other forms of financing secured by or leveraged off our increasing accounts receivable based on existing programs in place that are being offered to companies similar to ours; will provide us with sufficient liquidity to meet our operating needs for the next 12 months.

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

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

Executive Overview

Our Company

LiveDeal, Inc. provides local customer acquisition services for small businesses. LiveDeal, through our two primary wholly-owned subsidiaries (Velocity Marketing Concepts, Inc. and Local Marketing Experts, Inc.), offers an affordable way for businesses to extend their marketing reach to local, relevant customers via the Internet.

LiveDeal first started in the online marketing industry as YP.com. At the time, we were the first company to bring the print yellow pages to the Internet in 1994. From there we moved into the online classifieds business when we merged with LiveDeal in 2007.

Today, we have adapted and adjusted our company goals to reflect the latest online trends through the launch of our InstantProfile product through Velocity Marketing Concepts, Inc. and its companion products.

LiveDeal uses 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

LiveDeal delivers affordable acquisition services to the small business segment through the InstantAgency Suite of products and services. These products are currently sold through two wholly owned subsidiaries that target 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 the 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 them to use one location to broadcast their messages across their entire social media network. By leveraging this automation the advertiser eliminates the need to manage multiple logins for individual websites and duplicate submissions and decreases the time required to broadcast their messages from hours to one click of a button.

Additionally, advertisers with InstantProfile also 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 conference 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 were strategically chosen the service entry level products and services that can grow with the small business as it continues to grow. For those starting with the more customized products and services, InstantAgency® can continue to drive more online visitors, 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 Events & Transactions

Financial Performance

We have embarked on a significant change in business strategy to re-emphasize our legacy business (directory services offering) and update it to meet current market requirements and move ahead of our competitors in this market segment. As a result, we have continued to experience a decline in revenues and gross profit over the last several quarters, but have also reduced our ongoing costs and expenses and reduced ongoing losses. While we have yet to achieve sufficient sales in our new InstantProfile business to allow us to achieve operating profitability, we began to achieve growth in revenues in this business segment during fiscal 2010 with sales officially launching in July 2010.

Change in Business Strategy

In and around March 2010, we evaluated our business and adopted a new business strategy that addressed each of our business segments as separate entities and re-launched and restructured our legacy line of business. This evaluation was necessitated by the challenges facing our Direct Sales - Customer Acquisition Services business lines that provide Internet-based customer acquisition strategies for small business, as well as declining revenues from our traditional business line (i.e. directory services). Additionally, current economic and regulatory forces, both general and specific to our industry, impacted our consideration of our existing business model and strategy. Some of these factors include the following:

- § The current effects of the recovery from the recent recession and general economic downturn;
- § Our perception that the general economic downturn could lead our business customers to seek lower-cost customer acquisition methods, primarily through the Internet;
- § The reconstitution of our management team;
- § The termination of certain significant directory business contracts related to the traditional business; and
- § Continuing losses in our Direct Sales business.

As a result, we made significant changes to our business strategy during the second quarter of fiscal 2010. We decided to move our strategic focus towards our directory services business and bring it up to current market standards and regulatory requirements and away from our Direct Sales business line. This strategy culminated in the termination of all new sales under the Direct Sales business line on December 1, 2010.

Our new strategic focus is on delivering a suite of Internet-based, local search driven, customer acquisition services for small businesses, sold via telemarketing using LEC billing channels and targeting all segments of the SMB market through our Velocity Marketing Concepts, Inc. subsidiary.

Management Changes

On November 23, 2009, we and Richard F. Sommer, our then-current Chief Executive Officer, entered into an amendment to Mr. Sommer's Employment Agreement dated as of May 19, 2009. This amendment, provided that Mr. Sommer is entitled to an option to purchase 250,000 shares of our common stock at an exercise price of \$1.95 per share, which was equal to the closing price of our common stock on the date of grant. The option was granted pursuant to our 2003 Stock Plan and was scheduled to vest according to the following schedule: 25% on October 29, 2010 (the first anniversary of the date of grant) and 1/36 of the remainder each month beginning on November 29, 2010.

Previously, the Employment Agreement provided that Mr. Sommer was entitled to a success fee payable in cash equal to 2% of the excess above \$9,000,000 of any cash distributed to or received by our stockholders in the form of a dividend, in the event of liquidation or upon a change of control. Pursuant to this amendment, that provision was deleted and replaced with the option grant described above. Other than as described above, the original terms of Mr. Sommer's Employment Agreement remained in full force and effect.

Effective January 2, 2010, Rajeev Seshadri resigned as our Chief Financial Officer and was replaced by Lawrence W. Tomsic. Mr. Tomsic recently served as Controller for Alliance Residential Company, an apartment complex with 3,221 units and \$90 million in annual sales. Previously, he was a Controller and Chief Financial Officer for various clients of JKL Consulting (including a planned unit development and a concrete contractor) from 2006-2008 and Chief Financial Officer of John R. Wood, Inc. (a real estate brokerage focusing on luxury residential housing and commercial properties) from 1997-2006. Mr. Tomsic worked as a financial officer and in other management positions for various companies (including U.S. Home Corporation and Collier Enterprises) from 1983-1997. He was also a senior auditor for Deloitte & Touche for three years. Mr. Tomsic holds a B.S. in Accounting from the University of

Delaware and an M.B.A. from the University of Denver.

On January 4, 2010, Richard Sommer resigned as our Chief Executive Officer. As a result of his departure, Mr. Sommer also resigned as a member of our Board of Directors. Following Mr. Sommer's departure, Kevin A. Hall was appointed as our interim Chief Operating Officer (COO). Mr. Hall had been serving as our General Counsel and Vice President of Human Resources and Business Development since April 2009. Prior to that time, Mr. Hall was a partner in the San Francisco, California and New York, New York offices of Reed Smith LLP, an international law firm with more than 1,500 attorneys worldwide, from 2006 until 2008. Previously, he was a senior associate and later a partner in the New York, New York office of Linklaters, a London-based global law firm, from 1998 until 2006. Mr. Hall, who is admitted to practice law in California and New York, specializes in general corporate law, finance, structured finance, and other complex commercial and financial transactions (including mergers and acquisitions). He holds a B.A. in History and French Literature from Columbia College, a Master's Degree in International Affairs from Columbia University, and a law degree from Cornell School of Law.

On May 20, 2010, the Board of Directors of LiveDeal appointed Kevin A. Hall as President and Chief Operating Officer of the Company.

Restructuring Activities

On January 4, 2010, our Board of Directors approved a reduction in force that resulted in the termination of approximately 33% of the Company's workforce, effective January 7, 2010. On February 23, 2010, our Board of Directors approved an additional reduction in force that resulted in the termination of approximately 20% of our workforce, effective March 4, 2010. These reductions in force were related to our ongoing restructuring and cost reduction efforts as the Board of Directors explores a variety of strategic alternatives, including the potential sale of the Company or certain of its assets and/or the acquisition of other entities or businesses.

We incurred charges of \$143,000 in connection with the reductions in force, consisting of one-time employee termination benefits. All amounts were paid as of June 30, 2010.

On November 30, 2010, our Board of Directors approved a reduction in force that resulted in the termination of 36 employees of the Company, or approximately 60% of the Company's 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 its subsidiary, Local Marketing Experts, Inc. There was also a reduction of 14 additional people due to natural attrition.

We incurred expenses of \$99,319 in connection with the reduction in force, of which \$37,500 was incurred for one-time employee termination benefits payable in cash. The remaining expenses relate to salaries and wages payable in cash to the affected employees. Substantially all of these charges will be expensed in the first quarter of fiscal 2011.

Critical Accounting Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. Summaries of our significant accounting policies are detailed in the notes to the consolidated financial statements, which are an integral component of this filing.

The following summarizes critical estimates made by management in the preparation of the consolidated financial statements.

Revenue Recognition

Local Marketing Experts, Inc. (former Direct Sales – Customer Acquisition Services). Our direct sales contracts typically involve upfront billing for an initial payment followed by monthly billings over the contractual period. We recognize revenue on a straight line basis over the contractual period. Billings in excess of recognized revenue are included as deferred revenue in the accompanying consolidated balance sheets.

Previously, we recognized the value of the noncancelable portion of the Direct Sales' customer contract as a receivable and billed the customer for the amount of the contract over the period of the contract. We only recognized a portion of the contract value as revenue each month, approximately pro-rating the contract to a monthly amount, with the remainder of the noncancelable portion of the contract maintained as a deferred revenue liability. In the quarter ended June 30, 2009, we corrected our balance sheet presentation related to our direct sales contracts to include in accounts receivable only those amounts that are still outstanding receivables after having been billed in accordance with the terms of the contract.

Velocity Marketing Concepts, Inc. (formerly Directory Services). We generate revenue from customer subscriptions for directory and advertising services. We recognize revenues as services are rendered. In some instances, we receive payments in advance of rendering services, whereupon such revenues are deferred until the related services are rendered. Our billing and collection procedures include significant involvement of outside parties, referred to as aggregators for LEC billing and service providers for ACH billing. We provide allowances for customer refunds, non-paying customers and fees which are estimated at the time of billing.

Allowance for Doubtful Accounts

We estimate allowances for doubtful accounts for accounts that are billed directly by us as well as those serviced by third party aggregators and service providers (Processors).

We reflect the amounts held in reserve by the Processors as accounts receivable in the accompanying consolidated balance sheets. During the period that we received settlements from our billings through these LEC channels, the level of the reserves held by the Processors changed accordingly and the Processors often calculated the holdback amounts from the settlements due to us as ‘rolling reserves’ that we believe are actuarially estimated by them based on the level of business, the expectation of future billings from which to replenish such reserves, and other factors. The costs and expenses related to such settlements and reserve holdback amounts were recorded as expenses during the period that the settlements were received. With the cessation of such settlements, the costs and expenses are now related to the maintenance of the reserves held by the Processors. The reserves now held are not changing due to the cessation of billing activities by us, and accordingly, we have now made estimates of the costs and expenses that we are likely to incur to collect the holdback amounts held as reserves. These estimates lead to an accrual of expected costs over the expected length of the collection period of the accounts receivable and, therefore, to an increase in the allowances, instead of recording such expenses as period costs as they are actually incurred as would have been the case if we continued to have regular billings through the Processors.

The allowance at September 30, 2010 included a reserve allowance of \$703,732 resulting from the Chapter 11 Bankruptcy filing of one of our LEC aggregators, representing a reduction in the estimated collectability of our entire pre-petition outstanding receivable balance of \$777,755. The aggregate of accounts receivable balances from the LEC operations that do not have billing activity as of September 30, 2010 was \$2,370,029, and the aggregate of corresponding allowances was \$1,848,526. These aggregate amounts include the accounts receivable balances and allowances for the accounts held by the Chapter 11 trustee.

Carrying Value of Intangible Assets

Our intangible assets consist of licenses for the use of Internet domain names or Universal Resource Locators, or URLs, capitalized website development costs, other information technology licenses and marketing and technology related intangibles acquired through the acquisition of LiveDeal, Inc. All such assets are capitalized at their original cost (or at fair value for assets acquired through business combinations) and amortized over their estimated useful lives. We capitalize internally generated software and website development costs in accordance with the provisions of the FASB Accounting Standards Codification (“ASC”) ASC 350, “Intangibles – Goodwill and Other”.

We evaluate the recoverability of the carrying amount of intangible assets at least annually and whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. In the event of such changes, impairment would be assessed if the expected undiscounted net cash flows derived for the asset are less than its carrying amount.

Goodwill

We evaluate our goodwill for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred in accordance with the provisions of ASC 350, which requires that goodwill be tested for impairment using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing our goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit’s goodwill is not considered to be impaired and the second step is unnecessary. As a result of this analysis, it was determined that the entire goodwill balance attributable to the Company’s acquisitions of OnCall Subscriber Management and LiveDeal, Inc. were impaired and were written off during the fiscal year ended September 30, 2009.

Customer Acquisition Costs

We acquire customers primarily through outbound call campaigns whereby we incur costs which include the acquisition of calling lists, personnel costs, etc. Customers subscribe to the services by affirmatively responding to

those campaigns, which serve as the contract for the subscription. Calling campaign costs are expensed as incurred. We historically have also incurred costs to acquire customers in connection with certain fulfillment contracts. Such costs were capitalized and amortized over the expected life of the related revenue stream. All such amounts have been fully amortized as of September 30, 2010.

Income Taxes

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

We have estimated net deferred income tax assets (net of valuation allowances) of \$0 at September 30, 2010 and 2009. A full valuation allowance has been established against all net deferred tax assets as of September 30, 2010 and 2009 based on estimates of recoverability. While we have optimistic plans for our new business strategy, we determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our new business model. Therefore, we established a valuation allowance for all deferred tax assets in excess of those expected to be realizable through the application of operating loss carrybacks.

We performed an analysis of uncertain tax positions and we did not identify any significant uncertainties that would affect the carrying value of our deferred tax assets and liabilities at September 30, 2010.

Stock-Based Compensation

From time to time, we grant restricted stock awards and options to employees, directors, executives, and consultants. Such awards are valued based on the grant date fair-value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the vesting period. The impacts of changes in such estimates on unamortized deferred compensation cost are recorded as an adjustment to compensation expense in the period in which such estimates are revised.

Results of Operations

Net Revenues

Year Ended September 30,	Net Revenues	Change from Prior Year	Percent Change from Prior Year
2010	\$ 8,077,434	\$ (5,361,221)	(39.9)%
2009	\$ 13,438,655		

Net revenues in fiscal 2010 decreased by approximately \$5,361,000, due primarily to changes in our business strategy and the sales of our www.yp.com URL and a portion of our customer list in fiscal 2009. Net revenues in our directory services business decreased by approximately \$5,092,000 to \$4,239,000 in fiscal 2010 as compared to \$9,331,000 in fiscal 2009. Net revenues in our customer acquisition services business segment decreased by approximately \$269,000 to \$3,839,000 in fiscal 2010 as compared to \$4,108,000 in fiscal 2009. We anticipate that revenues from our customer acquisition services business will continue to decline in the future as we refocus our efforts toward our subscription based business using LEC billing channels marketed under our Velocity Marketing Concepts, Inc. subsidiary.

Cost of Services

Year Ended September 30,	Cost of Services	Change from Prior Year	Percent Change from Prior Year
2010	\$ 3,857,684	\$ (2,534,094)	(39.6)%
2009	\$ 6,391,778		

Cost of services decreased in fiscal 2010 as compared to fiscal 2009, as a result of decreased costs in our directory services and increased costs in our customer acquisition services.

Cost of services in our customer acquisition services business were approximately \$3,097,000 in fiscal 2010 as compared to \$2,768,000 in fiscal 2009. See discussion of gross margins elsewhere in this section.

Cost of services in our directory services business were approximately \$761,000 in fiscal 2010 as compared to \$3,624,000 in fiscal 2009 primarily due to a 55% reduction in revenues. During 2010, we experienced cost decreases in our directory services business on a per customer basis due to decreases in per-customer charges billed to us from our third party service providers and decreases in bad debt expense.

Gross Profit

Year Ended September 30,	Gross Profit	Change from Prior Year	Percent Change from Prior Year
2010	\$ 4,219,750	\$ (2,827,127)	(40.1)%
2009	\$ 7,046,877		

Gross profit decreased approximately \$2,827,000 in fiscal 2010 as compared to fiscal 2009 reflecting a decrease in net revenues and a decline in gross margins in our customer acquisition services business as we continue to refine and develop our business strategy. The following table sets forth changes in our gross margin by business segment.

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	Year ended September 30,	
	2010	2009
Customer acquisition services -		
Gross profit	\$ 741,949	\$ 1,339,997
Gross margin	19.3%	32.6%
Directory services -		
Gross profit	\$ 3,477,801	\$ 5,706,880
Gross margin	82.1%	61.2%

General and Administrative Expenses

Year Ended September 30,	General & Administrative Expenses	Change from Prior Year	Percent Change from Prior Year
2010	\$ 11,734,122	\$ (3,445,859)	(22.7)%
2009	\$ 15,179,981		

General and administrative expenses decreased in fiscal 2010 as compared to fiscal 2009 due to the following:

- A decrease in compensation and compensation-related expenses of \$3,658,000 reflecting the impacts of our restructuring actions and reduction in force during 2009 and 2010 from 111 employees at September 30, 2009 to 73 at September 30, 2010, which employee count, from September 30, 2010 to November 30, 2010, has further decreased from 73 to 60 due to attrition during the course of normal business operations, decreased further on December 1, 2010 by 36 employees due to the reduction in force described herein and the resignation of 1 additional employee on December 3, 2010, resulting in an employee count of 23 as of December 20, 2010;
- A decrease in depreciation and amortization expense of approximately \$644,000 due primarily to the effects of the impairment of amortizable intangible assets that occurred in the second quarter of fiscal 2009;
- A decrease in rent, utilities and office expenses of approximately \$485,000 as a result of the closure of our Santa Clara and New York facilities and other cost-containment initiatives; and
 - Other miscellaneous cost decreases of approximately \$85,000; partially offset by
- An increase in legal settlement costs of \$310,000 reflecting a settlement of \$300,000 in the first quarter of fiscal 2010 with On-Call Superior Management (“OSM”) and SMeVentures, Inc. (“SMe”) and a \$10,000 payment in the fourth quarter of fiscal 2010 associated with our settlement with the Illinois Attorney General. See Part I, Item 3. Legal Proceedings in this report for further information; and
- An increase in professional fees of \$1,116,000 reflecting an increase in IT infrastructure and product development costs of \$828,000 as we develop our next-generation of products, increased legal fees of \$262,000 as we defend several litigation matters related to our legacy businesses and \$26,000 in other miscellaneous increases in professional fees.

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

Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
\$ 1,048,094	\$ 967,323	\$ 1,352,108	\$ 2,241,198	\$ 2,054,709	\$ 2,392,081	\$ 2,311,056	\$ 2,508,836

Compensation for employees, leased employees, officers and directors								
Professional fees	551,394	677,507	1,023,582	488,993	336,273	421,700	411,564	455,832
Depreciation and amortization	214,617	215,102	218,200	225,653	211,336	186,077	560,383	559,289
Other general and administrative costs	462,278	497,865	544,162	1,006,046	451,300	813,124	771,352	735,070

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Sales and Marketing Expenses

Year Ended September 30,	Sales & Marketing Expenses	Change from Prior Year	Percent Change from Prior Year
2010	\$ 226,442	\$ (2,230,621)	(90.8)%
2009	\$ 2,457,063		

Sales and marketing expenses decreased in fiscal 2010 as compared to fiscal 2009 due to the following:

- \$1,908,000 of decreased telemarketing and other customer acquisition costs as we significantly decreased these activities in light of our changing business strategy and cost containment initiatives; and
- \$323,000 of decreased branding, online advertising and click traffic as part of our cost containment initiatives.

We are currently developing our marketing strategies in light of our new business focus and anticipate that such expenditures will decline in the future.

Impairment of Goodwill and Intangible Assets

Year Ended September 30,	Impairment of Goodwill and Intangible Assets	Change from Prior Year	Percent Change from Prior Year
2010	\$ -	\$ (7,866,109)	(100)%
2009	\$ 7,866,109		

We incurred an impairment charge in the second quarter of fiscal 2009 to write-down goodwill and other intangible assets. No such charges were incurred in fiscal 2010.

Operating Loss

Year Ended September 30,	Operating Loss	Change from Prior Year	Percent Change from Prior Year
2010	\$ (7,740,814)	\$ 10,715,462	(58.1)%
2009	\$ (18,456,276)		

The decrease in our operating loss for fiscal 2010 as compared to fiscal 2009 is primarily due to the impairment charge, decreased gross profit and changes in operating expenses, each of which is described above.

Total Other Income (Expense)

Year Ended September 30,	Total Other Income (Expense)	Change from Prior Year	Percent Change from Prior Year
2010	\$ 41,189	\$ (7,486,745)	(99.5)%
2009	\$ 7,527,934		

Other income (expense) in fiscal 2010 consisted of:

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\$50,000 adjustment to the gain on sale of our customer list from fiscal 2009 reflecting adjustments to certain accruals;

- \$18,000 of interest income on cash balances; partially offset by
- (\$27,000) loss on disposal of fixed assets.

Other income (expense) in fiscal 2009 consisted of the following:

- \$3,041,000 from the sale of a portion of our customer list associated with our directory services business;
- \$642,000 from an amendment to another directory services contract in consideration of accelerated payments on our outstanding accounts receivables;
 - \$3,806,000 from an agreement to sell our Internet domain name “www.yp.com” to YellowPages.com; and
 - \$39,000 of interest income on cash balances and short term investments

Income Tax Provision (Benefit)

Year Ended September 30,	Income Tax Provision (Benefit)	Change from Prior Year	Percent Change from Prior Year
2010	\$ (230,382)	\$ (3,623,897)	(106.8)%
2009	\$ 3,393,515		

Income tax benefit of \$230,000 in fiscal 2010 was the result of an adjustment to income tax receivable for net operating loss carrybacks as a result of true-ups to our final 2009 tax return that was filed during fiscal 2010. There was no income tax benefit recognized related to our fiscal 2010 net loss as we have established a full valuation allowance against all deferred tax assets.

During fiscal 2009, we recognized an income tax provision of approximately \$3,394,000 related to the establishment of a full valuation allowance against all deferred tax assets in light of the uncertainty surrounding our abilities to utilize such tax benefits in the future.

Income (Loss) from Discontinued Operations

Year Ended September 30,	Income (Loss) from Discontinued Operations	Change from Prior Year	Percent Change from Prior Year
2010	\$ 12,525	\$ 8,281,968	100.2%
2009	\$ (8,269,443)		

During fiscal 2010, we recognized income of \$13,000 from discontinued operations, reflecting the adjustment of certain accruals associated with the wind-down of our classifieds operations.

During fiscal 2009, we discontinued our classifieds business. Included in the loss for fiscal 2009 is the impairment of goodwill and other intangibles related to this business.

Net Loss

Year Ended September 30,	Net Loss	Change from Prior Year	Percent Change from Prior Year
2010	\$ (7,456,718)	\$ 15,134,582	(67.0)%
2009	\$ (22,591,300)		

Changes in net loss are primarily attributable to changes in operating income, other income (expense), income tax expense and discontinued operations, each of which is described above.

Liquidity and Capital Resources

Net cash used in operating activities increased by \$977,000, or 33%, to (\$3,940,000) for the year ended September 30, 2010, compared to (\$2,963,000) for the year ended September 30, 2009. This change in cash flows is attributable to the following: although our net loss decreased by approximately \$15,135,000 in fiscal 2010 as compared to fiscal 2009, this was offset by a decrease in non-cash charges and other adjustments of \$16,377,000 in fiscal 2010 as compared to fiscal 2009. Cash flows from operations were also impacted by an increase of \$265,000 in changes in working capital and other assets in fiscal 2010 as compared to fiscal 2009, primarily the result of collections of

income tax refunds in fiscal 2010 partially offset by lower accounts receivable collections in fiscal 2009.

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. During fiscal 2009, we were transitioning away from directory services toward our customer acquisition services, whose billings experience shorter collection times. Accordingly we were able to reduce our collection times and our outstanding accounts receivable balances. As of September 30, 2010, no single customer accounted for greater than 10% of accounts receivable.

With respect to our customer acquisition services, we generally receive upfront payments averaging approximately one-sixth of the gross contract amount. Subsequent payments are received on an installment basis after the application of the initial payment amounts and are billed ratably over the remaining life of the contract. Most customers purchasing these services elect to use their credit cards to effect payments, and therefore our collections are usually made within a few days of the installment due date.

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

Net cash used in investing activities during fiscal 2010 was approximately \$286,000, consisting primarily of expenditures for intangible assets primarily made up of software development and purchases of equipment in support of our new product offerings. Cash flows provided by investing activities in fiscal 2009 totaled approximately \$6,494,000, primarily attributable to the sale of our Internet domain name www.yip.com, the sale of a portion of our customer list related to our directory services business, and an amendment to an existing directory services contract, which provided aggregate cash inflows of \$7,430,000. Additionally, in fiscal 2009, we had expenditures for purchases of equipment and intangible assets totaling approximately \$836,000. During the year ended September 30, 2009, we also invested \$100,000 in certificates of deposit.

Net cash used for financing activities was approximately \$114,000 during fiscal 2010 and consisted of \$26,000 of treasury stock repurchases and \$88,000 of principal repayments on capital lease obligations. Net cash used for financing activities was approximately \$603,000 during fiscal 2009 and was attributable to \$533,000 of treasury stock repurchases and \$70,000 of principal repayments on capital lease obligations.

We had net working capital of \$3,201,000 as of September 30, 2010 compared to \$9,251,000 as of September 30, 2009. Our cash position decreased to \$3,227,000 at September 30, 2010 compared to \$7,568,000 at September 30, 2009, as we had a significant decline in cash flows provided by investing activities.

On May 25, 2007, the Company's Board of Directors terminated its pre-existing stock repurchase plan and replaced it with a new plan authorizing repurchases of up to \$1,000,000 of common stock from time to time on the open market or in privately negotiated transactions. The repurchase plan was increased by another \$500,000 on October 23, 2008. During the years ended September 30, 2010 and 2009, the Company acquired an aggregate of 1,341 and 34,611 shares of common stock for an aggregate repurchase price of \$25,882 and \$532,521, respectively.

We believe that our existing cash on hand and additional cash generated from operations together with additional cash obtained through stock issuances, loans, advances or other forms of financings secured by or leveraged off our increasing accounts receivable will provide us with sufficient liquidity to meet our operating needs for the next 12 months.

The following table summarizes our contractual obligations at September 30, 2010 and the effect such obligations are expected to have on our future liquidity and cash flows:

	Total	Payments Due by Fiscal Year					
		2011	2012	2013	2014	2015	Thereafter
Operating lease commitments	\$ 813,516	\$ 419,465	\$ 315,331	\$ 78,720	\$ -	\$ -	\$ -
Capital lease commitments	101,560	64,143	37,417	-	-	-	-
Noncancellable service contracts	773,583	635,583	138,000	-	-	-	-
	\$ 1,688,659	\$ 1,119,191	\$ 490,748	\$ 78,720	\$ -	\$ -	\$ -

At September 30, 2010, we had no other off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

As of September 30, 2010, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required. We believe that we are not subject in any material way to other forms of market risk, such as foreign currency exchange risk or foreign customer purchases (of which there were none in fiscal 2010 or 2009) or commodity price risk.

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ITEM 8. Financial Statements and Supplementary Data

LIVEDEAL, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of

LiveDeal, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of LiveDeal, Inc. and Subsidiaries (the "Company") as of September 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended September 30, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the two year period ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mayer Hoffman McCann P.C.

Phoenix, Arizona
January 5, 2011

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30,	
	2010	2009
Assets		
Cash and cash equivalents	\$ 3,227,374	\$ 7,568,030
Certificates of deposit	101,293	100,000
Accounts receivable, net	948,439	1,478,183
Prepaid expenses and other current assets	219,121	326,442
Income taxes receivable	-	1,490,835
Total current assets	4,496,227	10,963,490
Accounts receivable, long term portion, net	330,234	1,039,403
Property and equipment, net	397,382	615,906
Deposits and other assets	49,294	81,212
Intangible assets, net	1,938,952	2,336,714
Total assets	\$ 7,212,089	\$ 15,036,725
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 354,440	\$ 549,681
Accrued liabilities	880,188	1,092,811
Current portion of capital lease obligation	60,327	69,612
Total current liabilities	1,294,955	1,712,104
Long term portion of capital lease obligation	38,283	117,073
Total liabilities	1,333,238	1,829,177
Commitments and contingencies		
Stockholders' equity:		
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 issued and outstanding, liquidation preference \$38,202	10,866	10,866
Common stock, \$0.01 par value, 10,000,000 shares authorized, 609,643 issued and 605,391 outstanding at September 30, 2010 and 613,343 issued and 610,433 outstanding at September 30, 2009	6,096	6,133
Treasury stock (4,252 and 2,910 shares carried at cost) at September 30, 2010 and 2009, respectively	(70,923)	(45,041)
Paid in capital	20,436,235	20,280,377
Accumulated deficit	(14,503,423)	(7,044,787)
Total stockholders' equity	5,878,851	13,207,548
Total liabilities and stockholders' equity	\$ 7,212,089	\$ 15,036,725

See accompanying notes to consolidated financial statements.

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended September 30,	
	2010	2009
Net revenues	\$ 8,077,434	\$ 13,438,655
Cost of services	3,857,684	6,391,778
Gross profit	4,219,750	7,046,877
Operating expenses:		
General and administrative expenses	11,734,122	15,179,981
Impairment of goodwill	-	4,350,041
Impairment of intangible assets	-	3,516,068
Sales and marketing expenses	226,442	2,457,063
Total operating expenses	11,960,564	25,503,153
Operating loss	(7,740,814)	(18,456,276)
Other income (expense):		
Interest income, net	18,186	37,686
Other income (expense)	23,003	7,490,248
Total other income (expense)	41,189	7,527,934
Loss before income taxes	(7,699,625)	(10,928,342)
Income tax provision (benefit)	(230,382)	3,393,515
Loss from continuing operations	(7,469,243)	(14,321,857)
Discontinued operations		
Income (loss) from discontinued component, including disposal costs	12,525	(8,329,470)
Income tax benefit	-	(60,027)
Income (loss) from discontinued operations	12,525	(8,269,443)
Net loss	\$ (7,456,718)	\$ (22,591,300)
Earnings per share – Basic:		
Loss from continuing operations	\$ (12.45)	\$ (23.85)
Discontinued operations	0.02	(13.77)
Net loss	\$ (12.43)	\$ (37.62)
Earnings per share - Diluted:		
Loss from continuing operations	\$ (12.45)	\$ (23.85)
Discontinued operations	0.02	(13.77)
Net loss	\$ (12.43)	\$ (37.62)
Weighted average common shares outstanding:		
Basic	599,928	600,566
Diluted	599,928	600,566

See accompanying notes to consolidated financial statements.

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Preferred Stock		Treasury	Paid-In	Accumulated	Total
	Shares	Amount	Shares	Amount	Stock	Capital	Deficit	
Balance, September 30, 2008	651,368	\$ 6,514	127,840	\$ 10,866	\$ -	\$ 20,884,112	\$ 15,548,431	\$ 36,449,923
Series E preferred stock dividends	-	-	-	-	-	-	(1,918)	(1,918)
Common stock issued in restricted stock plan	2,000	20	-	-	-	(20)	-	-
Stock based compensation - stock options	-	-	-	-	-	82,036	-	82,036
Restricted stock cancellations	(8,325)	(84)	-	-	-	84	-	-
Amortization of deferred stock compensation	-	-	-	-	-	(198,672)	-	(198,672)
Treasury stock purchases	-	-	-	-	(532,521)	-	-	(532,521)
Treasury stock retired	(31,700)	(317)	-	-	487,480	(487,163)	-	-
Net loss	-	-	-	-	-	-	(22,591,300)	(22,591,300)
Balance, September 30, 2009	613,343	6,133	127,840	10,866	(45,041)	20,280,377	(7,044,787)	13,207,548
Series E preferred stock dividends	-	-	-	-	-	-	(1,918)	(1,918)
Stock based compensation - stock options	-	-	-	-	-	38,448	-	38,448
Restricted stock cancellations	(3,700)	(37)	-	-	-	37	-	-
Amortization of deferred stock compensation	-	-	-	-	-	117,373	-	117,373
Treasury stock purchases	-	-	-	-	(25,882)	-	-	(25,882)
Net loss	-	-	-	-	-	-	(7,456,718)	(7,456,718)

Balance, September 30, 2010	609,643	\$ 6,096	127,840	\$ 10,866	\$ (70,923)	\$ 20,436,235	\$ (14,503,423)	\$ 5,878,851
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See accompanying notes to consolidated financial statements.

LIVEDEAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(7,456,718)	\$(22,591,300)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	873,572	2,297,626
Non-cash stock compensation expense	38,448	82,036
Amortization of stock-based compensation	117,373	(198,672)
Deferred income taxes	-	4,812,623
Provision for uncollectible accounts	921,804	2,703,067
Noncash impairment of goodwill and other intangibles	-	16,111,494
Gain on sale of customer list	-	(3,040,952)
Gain on sale of internet domain name	-	(3,805,778)
Gain on amendment of directory services contract	-	(642,268)
(Gain) loss on disposal of equipment	27,647	36,693
Changes in assets and liabilities:		
Accounts receivable	317,109	3,116,762
Prepaid and other current assets	107,321	10,352
Deposits and other assets	31,918	2,335
Accounts payable	(195,241)	(529,031)
Accrued liabilities	(214,541)	(324,867)
Income taxes receivable	1,490,835	(1,003,303)
Net cash used in operating activities	(3,940,473)	(2,963,183)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of internet domain name	-	3,850,000
Proceeds from sale of customer list	-	2,937,501
Proceeds from amendment of directory services contract	-	642,268
Proceeds from sale of property and equipment	5,000	-
Expenditures for intangible assets	(235,012)	(734,878)
Investment in certificates of deposits	(1,293)	(100,000)
Purchases of equipment	(54,921)	(100,821)
Net cash provided by (used in) investing activities	(286,226)	6,494,070
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease obligations	(88,075)	(70,123)
Purchase of treasury stock	(25,882)	(532,521)
Net cash used in financing activities	(113,957)	(602,644)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,340,656)	2,928,243
CASH AND CASH EQUIVALENTS, beginning of year	7,568,030	4,639,787

CASH AND CASH EQUIVALENTS, end of year	\$ 3,227,374	\$ 7,568,030
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 5,842	\$ -
Cash paid for income taxes	\$ 1,600	\$ 1,860
Noncash financing and investing activities:		
Acquisition of equipment under capital leases	\$ -	\$ 24,821
Accrued and unpaid dividends	\$ 1,918	\$ 1,918

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

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

The Company’s new strategic focus is on delivering a suite of Internet-based, local search driven, customer acquisition services for small and medium-sized businesses, sold via telemarketing and supported by its websites and internally developed software.

The following sets forth historical transactions with respect to the Company’s organizational development:

- Telco Billing, Inc. was formed in April 1998 to provide advertising and directory listings for businesses on its Internet website in a “Yellow Pages” format. Telco provides those services to its subscribers for a monthly fee. These services are provided primarily to businesses throughout the United States. Telco became a wholly owned subsidiary of the Company after the June 1999 acquisition.
- At the time that the transaction was agreed to, the Company had 12,567,770 common shares issued and outstanding. As a result of the merger transaction with Telco, there were 29,567,770 common shares outstanding, and the former Telco stockholders held approximately 57% of the Company’s voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Telco, under the purchase method of accounting, and was treated as a recapitalization with Telco as the acquirer. Consistent with reverse acquisition accounting, (i) all of Telco’s assets, liabilities, and accumulated deficit were reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) were reflected at their net asset value as if issued on June 16, 1999.
 - On June 6, 2007, the Company completed its acquisition of LiveDeal, Inc. (“LiveDeal”), a California corporation. LiveDeal operated an online local classifieds marketplace, www.livedeal.com, which listed millions of goods and services for sale across the United States. The technology acquired in the acquisition offered such classifieds functionality as fraud protection, identity protection, e-commerce, listing enhancements, photos, community-building, package pricing, premium stores, featured Yellow Page business listings and advanced local search capabilities. This business has since been discontinued – see Note 5.
- On July 10, 2007, the Company acquired substantially all of the assets and assumed certain liabilities of OnCall Subscriber Management Inc., a Manila, Philippines-based company that provided telemarketing services. The acquisition took place through the Company’s wholly-owned subsidiary, 247 Marketing LLC, a Nevada limited liability company, which remains in existence but is inactive.
- On August 10, 2007, the Company filed amended and restated articles of incorporation with the Office of the Secretary of State of the State of Nevada, pursuant to which the Company’s name was changed to LiveDeal, Inc., effective August 15, 2007. The name change was approved by the Company’s Board of Directors pursuant to discretion granted to it by the Company’s stockholders at a special meeting on August 2, 2007.
- During 2009, the Company made strategic changes that impacted the Company’s consolidated financial statements in the following manner:
 - o Impairment charges of \$16,111,494 were recorded related to the write-down of the Company’s goodwill and other intangible assets as discussed in Note 4;

- oThe Company commenced a plan to discontinue its classifieds business and initiated shutdown activities, as discussed in Note 5, and has reflected the operating results of this line of business as discontinued operations in the accompanying consolidated statements of operations;
 - oThe Company sold a portion of its customer list associated with its directory services business and recorded a gain of \$3,040,952, as discussed in Note 14; and
 - oThe Company established a valuation allowance of \$10,586,854 related to its deferred tax assets, as described in Note 10.
-
- During 2010, the Company formed the wholly-owned subsidiaries Local Marketing Experts, Inc. and Velocity Marketing Concepts, Inc.

The accompanying consolidated financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company, LiveDeal, Local Marketing Experts, Inc., Velocity Marketing Concepts, Inc., 247 Marketing, Telco and Telco of Canada, Inc, the Company's wholly owned subsidiaries, for the years ended September 30, 2010 and 2009, as applicable. All intercompany transactions and balances have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: This includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times, cash deposits may exceed government-insured limits.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, LiveDeal, Local Marketing Experts, Inc., Velocity Marketing Concepts, Inc., 247 Marketing, Telco Billing, Inc. and Telco of Canada, Inc. All significant intercompany accounts and transactions have been eliminated.

Property and Equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to five years. Depreciation expense was \$240,798 and \$432,897 for the years ended September 30, 2010 and 2009, respectively.

Revenue Recognition:

Direct Sales – Customer Acquisition Services.

The Company's direct sales contracts typically involve upfront billing for an initial payment followed by monthly billings over the contractual period. The Company recognizes revenue on a straight line basis over the contractual period. Billings in excess of recognized revenue are included as deferred revenue in the accompanying consolidated balance sheets.

Previously, the Company recognized the value of the noncancelable portion of the Direct Sales' customer contract as a receivable and billed the customer for the amount of the contract over the period of the contract. The Company only recognized a portion of the contract value as revenue each month, approximately pro-rating the contract to a monthly amount, with the remainder of the noncancelable portion of the contract maintained as a deferred revenue liability. In the quarter ended June 30, 2009, the Company corrected its balance sheet presentation related to its direct sales contracts to include in accounts receivable only those amounts that are outstanding receivables after having been billed in accordance with the terms of the contract.

Directory Services

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

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

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

During the second quarter of fiscal 2009, the Company sold its then existing customer list pertaining to its direct customers billed through LECs. The Company continues to service some wholesale accounts through LEC billing channels and is rebuilding its customer base billed through LECs through its Velocity Marketing Concepts, Inc.

subsidiary.

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

Deferred Revenues

In some instances, the Company receives payments in advance of rendering services, whereupon such revenues are deferred until the related services are rendered. Deferred revenue was \$87,574 and \$148,916 at September 30, 2010 and 2009, respectively.

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Allowance for Doubtful Accounts: The Company maintains an allowance for doubtful accounts, which includes allowances for customer refunds, dilution and fees from LEC billing aggregators and other uncollectible accounts. The Company has increased its allowances for doubtful accounts to 63.5% of gross accounts receivable at September 30, 2010 as compared to 52.8% of gross accounts receivable at September 30, 2009. This increase is attributable to many factors, including regulatory activity which has increased the amount of refunds, increasing fees from LEC service providers and the Company's change in business strategy, as ongoing revenue submissions and settlements with respect to the Company's LEC customers have ceased and bad debts, allowances and fees are deducted from existing holdback amounts.

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

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

Foreign Currency Translation: The Company has determined that the United States Dollar is the functional currency for its foreign operations. Accordingly, gains and losses resulting from the translation of foreign currency amounts to functional currency are included in the consolidated statements of operations in the period in which they occur. In fiscal 2009, the Company ceased activities with respect to its foreign operations which has eliminated any significant foreign currency exposure.

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

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

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

property and equipment. Due to the effects of the Company's change in business strategy, it made significant changes in estimates as it pertains to allowances for accounts receivable, valuation allowances against net deferred tax assets, intangible assets and goodwill as described elsewhere in these notes.

Stock-Based Compensation: The Company from time to time grants restricted stock awards and options to employees and executives. Such awards are valued based on the grant date fair-value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the vesting period.

The Company accounts for stock awards issued to non-employees in accordance with the provisions of FASB ASC 718, "Compensation – Stock Compensation" and FASB ASC 505, "Equity", and accordingly, stock awards to non-employees are accounted for at fair value at their respective measurement date.

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

Impairment of Long-lived Assets: The Company assesses long-lived assets for impairment in accordance with the provisions of FASB ASC 360 “Property, Plant and Equipment”. A long-lived asset (asset group) shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of a long lived asset is not recoverable if it exceeds the sum of the undiscounted net cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. For purposes of these tests, long-lived assets must be grouped with other assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Assets were determined to be impaired during the year ended September 30, 2009 (See Note 4).

Goodwill: The Company evaluates goodwill for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred in accordance with the provisions of FASB ASC 350 “Goodwill and Other Intangible Assets” which requires that goodwill be tested for impairment using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing the goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit’s goodwill is not considered to be impaired and the second step is unnecessary. As a result of this analysis, first described in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 and described elsewhere in this Form 10-K, it was determined that the entire goodwill balance attributable to the acquisitions of OnCall Subscriber Management and LiveDeal, Inc. was impaired. There was a goodwill write off during the quarter ended March 31, 2009. There was no goodwill written off during the year ended September 30, 2010.

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

Effects of Reverse Stock Split: Effective on September 7, 2010, the Company implemented a 1-for-10 reverse stock split with respect to issued and outstanding shares of its common stock. Additionally, the Company’s authorized shares of common stock were reduced to 10,000,000 shares. All share and per share amounts have been retroactively restated for the effects of this reverse stock split.

Recently Issued Accounting Pronouncements:

In December 2007, the FASB amended ASC 805, Business Combinations and FASB ASC 810 “Consolidations”. FASB ASC 805 and FASB ASC 810 are products of a joint project between the FASB and the International Accounting Standards Board. The revised standards continue the movement toward the greater use of fair values in financial reporting. FASB ASC 805 will significantly change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. These changes include the expensing of acquisition related costs and restructuring costs when incurred, the recognition of all assets, liabilities and noncontrolling interests at fair value during a step-acquisition, and the recognition of contingent consideration as of the acquisition date if it is more likely than not to be incurred. FASB ASC 810 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. The changes to FASB ASC 805 and 810 are effective for both public and private companies for fiscal years beginning on or after December 15, 2008 (January 1, 2009 for companies with calendar year-ends). FASB ASC 805 will be applied prospectively. FASB ASC 810 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of FASB ASC 810 shall be applied prospectively. Early adoption is prohibited for both these amendments. The adoption of this amendment did not impact the Company’s financial position or results of operations.

In March 2008, the FASB amended ASC 815, “Derivatives and Hedging”. FASB ASC 815 modifies existing requirements to include qualitative disclosures regarding the objectives and strategies for using derivatives, fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in

derivative agreements. The pronouncement also requires the cross-referencing of derivative disclosures within the financial statements and notes thereto. The requirements of FASB ASC 815 are effective for interim and annual periods beginning after November 15, 2008 and was effective for the Company on October 1, 2009. The adoption of this amendment did not impact the Company's financial position or results of operations.

In April 2008, the FASB amended ASC 350 "Intangibles – Goodwill and Other" amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under ASC 350. The intent of the amendment is to improve the consistency between the useful life of a recognized intangible asset under ASC 350 and the period of expected cash flows used to measure the fair value of the asset under ASC 805. Amendments to ASC 350 are effective for fiscal years beginning after December 15, 2008 and was effective for the Company on October 1, 2009. The adoption of this amendment did not impact the Company's financial position or results of operations.

In June 2008, the FASB amended ASC 815 to address the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, if an instrument (or an embedded feature) that has the characteristics of a derivative instrument is indexed to an entity's own stock, it is still necessary to evaluate whether it is classified in stockholders' equity (or would be classified in stockholders' equity if it were a freestanding instrument). In addition, some instruments that are potentially subject to the guidance in ASC 815 but do not have all the characteristics of a derivative instrument under paragraphs 6 through 9, it is still necessary to evaluate whether it is classified in stockholders' equity. ASC 815 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and was effective for the Company on October 1, 2009. The adoption of this amendment did not impact the Company's financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-13, “Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force” (“ASU 2009-13”), which provides guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. ASU 2009-13 requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price. ASU 2009-13 is effective for the first annual reporting period beginning on or after June 15, 2010 and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. Early adoption is permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. ASU 2009-13 is effective for the Company on October 1, 2010. We are currently evaluating the impact that the adoption of ASU 2009-13 will have on our financial condition, results of operations, and disclosures.

3.

BALANCE SHEET INFORMATION

Balance sheet information is as follows:

	September 30, 2010	September 30, 2009
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Receivables, current, net:		
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