

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

(Mark One)

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

For the quarterly period ended June 30, 2011

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

For the transition period from _____ to _____

Commission File Number 001-33937

LiveDeal, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

85-0206668

(IRS Employer Identification No.)

2490 East Sunset Road, Suite 100

Las Vegas, Nevada

(Address of principal executive offices)

89120

(Zip Code)

(702) 939-0230

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of the issuer's common stock, par value \$.001 per share, outstanding as of August 1, 2011 was 691,349.

**INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED JUNE 30, 2011**

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of June 30, 2011 (unaudited) and September 30, 2010	3
Unaudited Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended June 30, 2011 and 2010	4
Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended June 30, 2011 and 2010	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 4. Controls and Procedures	26
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	27
Item 1A. Risk Factors	28
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 6. Exhibits	30
Signatures	31

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIVEDEAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u> <u>2011</u>	<u>September</u> <u>30,</u> <u>2010</u>
	<u>(unaudited)</u>	
Assets		
Cash and cash equivalents	\$ 598,379	\$ 3,227,374
Certificates of deposit	-	101,293
Accounts receivable, net	918,363	948,439
Prepaid expenses and other current assets	144,485	219,121
Total current assets	1,661,227	4,496,227
Accounts receivable, long term portion, net	237,366	330,234
Property and equipment, net	212,434	397,382
Deposits and other assets	38,802	49,294
Intangible assets, net	1,246,100	1,938,952
Total assets	<u>\$ 3,395,929</u>	<u>\$ 7,212,089</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 664,875	\$ 354,440
Accrued liabilities	635,282	880,188
Notes payable	1,000,000	-
Current portion of capital lease obligation	52,607	60,327
Total current liabilities	2,352,764	1,294,955
Long term portion of capital lease obligation	-	38,283
Total liabilities	<u>2,352,764</u>	<u>1,333,238</u>
Commitments and contingencies		
Stockholders' equity:		
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 issued and outstanding, liquidation preference \$38,202	10,866	10,866
Common stock, \$0.001 par value, 10,000,000 shares authorized, 691,349 and 641,190 shares issued, 687,097 and 636,938 shares outstanding at June 30, 2011 (unaudited) and September 30, 2010, respectively	691	641
Treasury stock (4,252 shares carried at cost)	(70,923)	(70,923)
Paid in capital	20,795,863	20,441,690
Accumulated deficit	(19,693,332)	(14,503,423)
Total stockholders' equity	<u>1,043,165</u>	<u>5,878,851</u>
Total liabilities and stockholders' equity	<u>\$ 3,395,929</u>	<u>\$ 7,212,089</u>

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

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

	Three Months Ended June		Nine Months Ended June	
	30,		30,	
	2011	2010	2011	2010
Net revenues	\$ 1,124,976	\$ 992,260	\$ 3,237,763	\$ 3,201,600
Cost of services	1,048,229	174,698	3,455,589	455,644
Gross profit	<u>76,747</u>	<u>817,562</u>	<u>(217,826)</u>	<u>2,745,956</u>
Operating expenses:				
General and administrative expenses	1,172,536	2,357,797	4,756,487	9,457,739
Sales and marketing expenses	19,543	1,826	56,318	262,937
Total operating expenses	<u>1,192,079</u>	<u>2,359,623</u>	<u>4,812,805</u>	<u>9,720,676</u>
Operating loss	(1,115,332)	(1,542,061)	(5,030,631)	(6,974,720)
Other income (expense):				
Interest income (expense), net	(24,151)	3,273	(22,899)	13,791
Other income (expense)	(11,455)	1,667	(11,455)	28,974
Total other income (expense)	<u>(35,606)</u>	<u>4,940</u>	<u>(34,354)</u>	<u>42,765</u>
Loss before income taxes	(1,150,938)	(1,537,121)	(5,064,985)	(6,931,955)
Income tax provision (benefit)	-	-	-	(230,382)
Loss from continuing operations	<u>(1,150,938)</u>	<u>(1,537,121)</u>	<u>(5,064,985)</u>	<u>(6,701,573)</u>
Discontinued operations				
Income (loss) from discontinued component, including disposal costs	7,561	197,187	(123,486)	1,062,466
Income tax provision (benefit)	-	-	-	-
Income (loss) from discontinued operations	<u>7,561</u>	<u>197,187</u>	<u>(123,486)</u>	<u>1,062,466</u>
Net loss	<u>\$ (1,143,377)</u>	<u>\$ (1,339,934)</u>	<u>\$ (5,188,471)</u>	<u>\$ (5,639,107)</u>
Earnings per share - basic and diluted ¹ :				
Loss from continuing operations	\$ (1.69)	\$ (2.44)	\$ (7.68)	\$ (10.62)
Discontinued operations	0.01	0.31	(0.19)	1.68
Net loss	<u>\$ (1.68)</u>	<u>\$ (2.13)</u>	<u>\$ (7.87)</u>	<u>\$ (8.93)</u>
Weighted average common shares outstanding:				
Basic	<u>682,374</u>	<u>631,213</u>	<u>659,296</u>	<u>631,151</u>
Diluted	<u>682,374</u>	<u>631,213</u>	<u>659,296</u>	<u>631,151</u>

¹ Certain amounts may not total due to rounding of individual components.

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

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

	Nine Months Ended	
	June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,188,471)	\$ (5,639,107)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	474,958	658,957
Non-cash stock compensation expense	36,338	22,739
Amortization of deferred stock compensation	17,885	139,082
Provision for uncollectible accounts	376,395	698,138
Non-cash impairment of goodwill and intangibles	367,588	-
Loss on disposal of property and equipment and intangible assets	39,134	27,647
Changes in assets and liabilities:		
Accounts receivable	(253,451)	231,386
Prepaid expenses and other current assets	74,636	(21,922)
Deposits and other assets	10,492	9,835
Accounts payable	310,435	(176,738)
Accrued liabilities	(246,344)	(283,033)
Income taxes receivable and payable	-	1,490,835
Net cash used in operating activities	<u>(3,980,405)</u>	<u>(2,842,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	-	4,999
Expenditures for intangible assets	-	(231,405)
Redemption of (investment in) certificate of deposits	101,293	(200,000)
Purchases of property and equipment	<u>(3,880)</u>	<u>(54,921)</u>
Net cash provided by (used in) investing activities	<u>97,413</u>	<u>(481,327)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Series E preferred stock dividends	-	(1,437)
Principal repayments on capital lease obligations	(46,003)	(73,005)
Issuance of common stock for cash	300,000	-
Proceeds from notes payable	1,000,000	-
Purchase of treasury stock	<u>-</u>	<u>(25,882)</u>
Net cash provided by (used in) financing activities	<u>1,253,997</u>	<u>(100,324)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,628,995)	(3,423,832)
CASH AND CASH EQUIVALENTS, beginning of period	<u>3,227,374</u>	<u>7,568,030</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 598,379</u>	<u>\$ 4,144,198</u>
Supplemental cash flow disclosures:		
Noncash financing and investing activities:		
Accrued and unpaid dividends	<u>\$ 1,438</u>	<u>\$ 1,437</u>
Interest paid	<u>\$ 25,845</u>	<u>\$ 4,877</u>
Income tax paid (received)	<u>\$ -</u>	<u>\$ (1,721,217)</u>

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

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

Note 1: Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of LiveDeal, Inc. (formerly YP Corp.), a Nevada corporation, and its wholly owned subsidiaries (collectively, the "Company"). The Company delivers internet directory services for small and medium-sized businesses to deliver an affordable way for businesses to extend their marketing reach to local, relevant customers via the Internet.

The accompanying condensed consolidated balance sheet as of September 30, 2010, which has been derived from the audited consolidated financial statements, and the accompanying unaudited condensed consolidated financial statements as of June 30, 2011, and for the three and nine months ended June 30, 2011 and June 30, 2010, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended June 30, 2011 are not necessarily indicative of the results to be expected for the year ending September 30, 2011. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2010 and for the year then ended included in the Company's Annual Report on Form 10-K for the year ended September 30, 2010.

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

While the Company believes that its existing cash on hand, together with the additional cash obtained from the loan facility the Company entered into on May 13, 2011, as described in more detail in Note 3 together with other sources of capital, such other sources of cash possibly including: stock issuances; additional loans; advances from our existing LEC clearing houses through their current advance programs; or other forms of financing secured by or leveraged off our 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 generate sufficient revenue to repay the loan facility referenced above when it comes due or that we will achieve profitability, positive operating cash flows, or sufficient cash flows for operations. To the extent that we cannot repay the loan when it comes due or achieve profitability or sufficient operating cash flows, our business will be materially and adversely affected. Further, our business is likely to experience significant volatility in its revenues, operating losses, personnel involved, products or services for sale, and other business parameters, as management implements its strategies and responds to operating results. Although the Company has suspended new sales of the Velocity products, the Company continues to maintain the Legacy business and we are simultaneously exploring other strategic alternatives. We cannot provide any assurance that additional financing arrangements will be available in amounts or on terms acceptable to us, if at all.

Effects of Stock Split: Effective August 10, 2011, the Company implemented a 20-for-19 stock split with respect to issued and outstanding shares of its common stock. The stock split was in the form of a stock dividend, with one (1) share of the Company's common stock issued in respect of every 19 shares of common stock issued and outstanding as of July 29, 2011, the record date for the stock split. Any fractional shares otherwise issuable as a result of the stock split were rounded up to the nearest whole share. All share and per share amounts have been retroactively restated for the effects of this stock split.

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

Note 2: Balance Sheet Information

Balance sheet information is as follows:

	June 30, 2011	September 30, 2010
	(unaudited)	
Receivables, current, net:		
Accounts receivable, current	\$ 2,449,294	\$ 2,750,393
Less: Allowance for doubtful accounts	<u>(1,530,931)</u>	<u>(1,801,954)</u>
	<u>\$ 918,363</u>	<u>\$ 948,439</u>
Receivables, long term, net:		
Accounts receivable, long term	\$ 506,986	\$ 680,108
Less: Allowance for doubtful accounts	<u>(269,620)</u>	<u>(349,874)</u>
	<u>\$ 237,366</u>	<u>\$ 330,234</u>
Total receivables, net:		
Gross receivables	\$ 2,956,280	\$ 3,430,501
Less: Allowance for doubtful accounts	<u>(1,800,551)</u>	<u>(2,151,828)</u>
	<u>\$ 1,155,729</u>	<u>\$ 1,278,673</u>

Components of allowance for doubtful accounts are as follows:

	June 30, 2011	September 30, 2010
Allowance for dilution and fees on amounts due from billing aggregators	\$ 1,662,409	\$ 2,104,826
Allowance for customer refunds	138,142	47,002
	<u>\$ 1,800,551</u>	<u>\$ 2,151,828</u>

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

	June 30, 2011	September 30, 2010
	(unaudited)	
Property and equipment, net:		
Leasehold improvements	\$ 201,476	\$ 239,271
Furnishings and fixtures	233,577	319,004
Office, computer equipment and other	<u>441,130</u>	<u>704,388</u>
	876,183	1,262,663
Less: Accumulated depreciation	<u>(663,749)</u>	<u>(865,281)</u>
	<u>\$ 212,434</u>	<u>\$ 397,382</u>

The Company discovered in the second fiscal quarter of 2011, during a review of the property and equipment, that assets with a net book value of \$25,350 were no longer in service and thus were written off. During the third fiscal quarter of 2011, the Company incurred a loss of \$13,784 in the sale of fixed assets that were no longer used in the business.

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

	<u>June 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
	<u>(unaudited)</u>	
Intangible assets, net:		
Domain name and marketing related intangibles	\$ 1,509,600	\$ 1,509,600
Website and technology related intangibles	363,367	1,914,991
	1,872,967	3,424,591
Less: Accumulated amortization	<u>(626,867)</u>	<u>(1,485,639)</u>
	<u>\$ 1,246,100</u>	<u>\$ 1,938,952</u>

The decrease in net intangible assets reflects continuing amortization and the write-off of \$367,588 of net intangible assets during the second fiscal quarter associated with our discontinued operations. See Note 5.

	<u>June 30,</u> <u>2011</u>	<u>September</u> <u>30,</u> <u>2010</u>
	<u>(unaudited)</u>	
Accrued liabilities:		
Deferred revenue	\$ 26,120	\$ 87,574
Accrued payroll and bonuses	62,820	124,544
Accruals under revenue sharing agreements	149,392	133,119
Accrued expenses - other	<u>396,950</u>	<u>534,951</u>
	<u>\$ 635,282</u>	<u>\$ 880,188</u>

Note 3: Notes Payable

On May 13, 2011, the Company, certain of the Company's wholly owned subsidiaries (collectively with the Company, the "Borrowers"), and Everest Group LLC ("Lender") entered into a Loan Agreement (the "Loan Agreement"), pursuant to which Lender agreed to loan the Borrowers an aggregate amount not to exceed \$1,000,000 (the "Loan"). The Loan was funded to the Borrowers on May 16, 2011. The Borrowers will use the proceeds of the Loan for working capital and other general corporate purposes.

The Loan Agreement provides for a one-year term, unless terminated earlier pursuant to its terms or extended upon the mutual agreement of all parties. Subject to applicable law, the Borrowers will pay an annual interest rate equal to 18% on the unpaid principal balance of the Loan. Interest will be payable monthly in arrears on the first day of each calendar month (unless such day is not a business day, in which case interest will be payable on the next succeeding business day) commencing June 1, 2011. Commencing on November 1, 2011, and on the first day of each subsequent calendar month, the Borrowers will be required to make \$50,000 monthly installment payments of principal on the Loan, with the unpaid principal balance to be due and payable on the termination date of the Loan.

Pursuant to a General Security Agreement (the "Security Agreement") also entered into on May 13, 2011, and as a condition to closing the Loan and the other transactions contemplated by the Loan Agreement, the Borrowers granted to Lender a security interest in certain of their assets, including (without limitation) their accounts receivable, books, tort claims, deposit accounts, equipment, general intangibles, inventory, investment property, negotiable collateral, property and the proceeds thereof. Certain Borrowers, including the Company, also entered into agreements with Lender and their banking institutions to grant Lender certain rights and remedies with respect to their deposit accounts.

The Loan Agreement contains representations, warranties and covenants of the parties that are customary for transactions similar to the Loan. These include:

- The Borrowers may not prepay the unpaid principal amount of the Loan, in full or in part, without Lender's consent, during the first six months of the term.

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

- Lender's designated representative will have the right to observe meetings of any Borrower's board of directors solely in a non-voting, non-contributing capacity (provided that such representative may be excluded from sensitive or confidential portions of such meetings).
- The Borrowers are prohibited from creating, incurring or assuming additional indebtedness except for (among other things) (i) obligations to Lender, (ii) trade debt incurred in the ordinary course of business or (iii) purchase money financing and/or equipment leases for new equipment that do not exceed \$25,000 in the aggregate during any single fiscal year.
- The Borrowers are prohibited from (i) entering into any merger, consolidation, reorganization or recapitalization with another person or entity, or (ii) acquiring all of the assets, or a material portion of the assets or stock, of any other person or entity.
- The Borrowers are prohibited from making or declaring any dividend or distribution in respect of their capital stock or other equity interests.

The Loan Agreement defines certain events of default, including (among other things) (i) the Borrowers' failure to make any payment required under the Loan Agreement when due (subject to a five-business-day cure period), (ii) the Borrowers' failure to comply with their covenants and agreements under the Loan Agreement and other Loan documents and (iii) the occurrence of a change of control with respect to the Company. Upon an event of default, Lender would be entitled to immediately accelerate all amounts due and payable in respect of the Loan and a cash default fee of \$20,000.

In connection with closing the Loan, the Borrowers paid Lender a \$20,000 cash origination fee and also reimbursed Lender for \$20,000 in closing costs, including attorneys' fees and other out-of-pocket expenses related to the negotiation of the Loan Agreement. Both the cash origination fee and the closing costs were expensed in the third fiscal quarter.

Note 4: Restructuring Activities

On November 30, 2010, the Board of Directors of LiveDeal, Inc. (the "Company") 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.

During the three and nine months ended June 30, 2011, the Company incurred expenses of \$0 and \$99,319 respectively, in connection with the reduction in force, of which \$37,500 were incurred for one-time employee termination benefits payable in cash. The remaining expenses relate to salaries and wages payable in cash to the affected employees. All amounts were paid as of December 31, 2010 and no additional expenses pertaining to this reduction in force are expected to be incurred subsequent to June 30, 2011.

Note 5: Discontinued Operations

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

The Company initiated shutdown activities in March 2011 and closed the Direct Sales business segment in May 2011. In conjunction with the discontinued operations, the Company recorded the following charges in the nine months ended June 30, 2011:

- Employee contract termination charges of \$7,083 reflecting the reduction in force of 7 employees;
- Non cash impairment charges of \$367,588 consisting of the write-off of net intangible assets;

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

The Direct Sales business segment accounted for \$105,293 and \$1,341,430 of net revenues for the three and nine months ended June 30, 2011, respectively, and \$658,847 and \$3,092,607 of net revenues for the three and nine months ended June 30, 2010, respectively, which are now included as part of income (loss) from discontinued component including disposal costs, in the accompanying unaudited condensed consolidated statements of operations.

As part of the Company's plan to discontinue its Direct Sales segment, the Company entered into an agreement dated April 25, 2011 to migrate those customers to a third party in exchange for ten and five percent of gross revenues derived from such customers during the first and second year, respectively. The Company has no continuing involvement or influence in the third parties' operations, nor does the third party have any recourse to the Company in the event of lost customers, nonpayment by the customers, etc. The Company recorded \$4,000 in revenues for this agreement during the three and nine months ended June 30, 2011.

Note 6: Stock-based Compensation

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

Stock Options

During the three and nine months ended June 30, 2011, the Company recognized compensation expense of \$12,839 and \$36,338, respectively, and \$15,365 and \$22,739 for the three and nine months ending June 30, 2010, respectively, related to stock option awards granted to certain employees and executives based on the grant date fair value of the awards, net of estimated forfeitures. During the three months ended December 31, 2009, the Company changed the estimated forfeiture rate of awards from 40% to 60% based on actual forfeiture experience and other factors, resulting in a net benefit from the expense reversal of \$8,160. There were no changes in the estimated forfeiture rate in the nine months ending June 30, 2011.

On March 24, 2011, pursuant to the Company's 2003 Stock Plan, the Company issued its CEO options to purchase an aggregate of 13,487 shares of the Company's common stock at an exercise price equal to \$3.53, which was the adjusted closing price of the Company's common stock on the date of grant. The option will vest and be exercisable according to the following schedule: one quarter (25%) on the first anniversary of the date of grant and the remainder shall vest 1/36 at the end of each month thereafter over the next 36 months so long as the CEO continues to provide services to the Company. Notwithstanding the foregoing, all unvested shares shall become immediately vested and exercisable upon a change of control.

The grant date fair value of the award was \$19,834 (net of estimated forfeitures of 50%) using a Black-Scholes option pricing model using the following assumptions: adjusted closing stock price of \$3.53, volatility of 108 percent, expected life of 6.1 years, and risk free rate of 2.82 percent.

On May 20, 2011, pursuant to the Company's 2003 Stock Plan, the Company issued its CFO options to purchase an aggregate of 10,526 shares of the Company's common stock at an exercise price equal to \$3.77, which was the adjusted closing price of the Company's common stock on the date of grant. The options will vest and be exercisable according to the following schedule: 3,728 options vesting immediately and the remainder shall vest 1/31 at the end of each month thereafter over the next 31 months so long as the CEO continues to provide services to the Company. Notwithstanding the foregoing, all unvested shares shall become immediately vested and exercisable upon a change of control.

The grant date fair value of the award was \$21,447 (net of estimated forfeitures of 50% on the unvested portion) based on a Black-Scholes option pricing model using the following assumptions: adjusted closing stock price of \$3.77, volatility of 107 percent, expected life of 5.4 years, and risk free rate of 1.82 percent.

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

The following represents a summary of stock option activity for the nine months ended June 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 30, 2010	5,263			
Granted at market price	24,013			
Exercised	-			
Forfeited	(5,263)	\$ 13.78		
Outstanding at June 30, 2011	<u>24,013</u>	<u>\$ 3.64</u>	<u>9.8</u>	<u>\$ -</u>
Exercisable	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

As of June 30, 2011, the Company has \$28,442 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized over a weighted-average period of 3.3 years.

Restricted Stock Awards

From time to time, the Company also has historically granted shares of restricted stock to certain individuals. The following table sets forth the activity with respect to compensation-related restricted stock grants during the nine months ended June 30, 2011:

Outstanding (unvested) at September 30, 2010	4,903
Granted	-
Forfeited	(8)
Vested	(3,553)
Outstanding (unvested) at June 30, 2011	<u>1,342</u>

As the Company's outstanding unvested stock was reduced to an immaterial amount, the Company recognized all expense associated with unvested awards based on estimated forfeiture rates ranging from 25 percent to 70 percent based on the outstanding duration of the awards during the three months ended December 31, 2010. As a result of these actions, the Company recognized an aggregate expense of \$0 and \$17,885 during the three and nine months ended June 30, 2011, respectively. To the extent that actual forfeiture rates differ from estimates, future expense recognition or reversals could result.

Note 7: Equity

November 2010 Equity Issuance Agreement

On November 29, 2010, the Company and Joint Corporation FeelTech Investment Unit 1 (the "Purchaser") entered into a Stock Purchase Agreement (the "Agreement") for the purchase of \$200,000 worth of the Company's common stock, \$0.001 par value per share ("Common Stock"), over a three month period.

Under the terms of the Agreement, the Company agreed to sell, and the Purchaser is obligated to purchase, unregistered shares of Common Stock in multiple investment tranches (each, a "Tranche") for an aggregate purchase price of \$200,000. The per share price in each Tranche is to be determined by adding (i) \$0.50 and (ii) the average closing price for the Common Stock as reported by the NASDAQ Capital Market for the 90-day period immediately preceding (but not including) the closing date of the applicable Tranche. The Agreement provides that the Tranches will be satisfied by the Purchaser as follows:

- \$50,000 was wired to the Company on December 3, 2010 in exchange for the Company's issuance of 8,000 shares of Common Stock (determined by using the \$6.25 per share purchase price applicable to the first Tranche).

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

- \$50,000 was wired to the Company's designated account on December 22, 2010 in exchange for the issuance of 7,014 shares (determined by using the \$7.13 per share purchase price applicable to the second Tranche).
- \$50,000 was wired to the Company's designated account on January 22, 2011 in exchange for the issuance of 6,704 shares (determined by using the \$7.46 per share purchase price applicable to the third Tranche).
- \$50,000 was wired to the Company's designated account on February 25, 2011 in exchange for the issuance of 7,239 shares (determined by using the \$6.91 per share purchase price applicable to the fourth Tranche).

As of June 30, 2011, the Company received the payments totaling \$200,000 and issued an aggregate of 28,957 shares to the Purchaser.

The Company issued and sold the shares of Common Stock to the Purchaser in reliance on the exemption provided under Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated by the Securities and Exchange Commission (the "SEC") thereunder.

March 2011 Equity Issuance Agreement

On March 22, 2011, the Company and six new investors (the "March Purchasers") entered into a Stock Purchase Agreement (the "March Agreement"), pursuant to which the March Purchasers committed to purchase an aggregate of \$150,000 worth of the Company's Common Stock, over a three month period.

Under the terms of the March Agreement, the Company agreed to sell, and each March Purchaser is obligated to purchase by a specified date, Common Stock for an aggregate purchase price of \$25,000. The per share price is to be determined by adding (i) US\$0.50 and (ii) the average closing price for the Common Stock as reported by the NASDAQ Capital Market for the 90-day period immediately preceding (but not including) the closing date of the applicable purchase.

- \$50,000 was wired to the Company's designated account on March 28, 2011 in exchange for the issuance of 8,578 shares (determined by using the \$5.83 per share purchase price applicable).
- \$50,000 was wired to the Company's designated account on April 26, 2011 in exchange for the issuance of 10,124 shares (determined by using the \$4.94 per share purchase price applicable).
- An additional \$50,000 was due to be wired to the Company's designated account on or before May 25, 2011, but such amount was never paid by the applicable March Purchasers. On or about July 7, 2011, the Company provided written notice to the applicable March Purchasers that it considered them to be in material breach of their agreements with the Company. Under the applicable March Agreements, the Company is entitled to, among other potential remedies, repurchase any and all shares previously issued to the March Purchasers and their affiliates for an amount equal to the applicable purchase price paid for such shares less US\$0.50 per share. The March Purchasers have not responded to the Company's notice of breach. The Company has taken action to preserve its rights under the March Agreements while it considers the potential remedies that could be pursued.

Note 8: Net Loss Per Share

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

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

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

	Three Months Ended June		Nine Months Ended June	
	30,		30,	
	2011	2010	2011	2010
Loss from continuing operations	\$ (1,150,938)	\$ (1,537,121)	\$ (5,064,985)	\$ (6,701,573)
Less: preferred stock dividends	(480)	(479)	(1,438)	(1,437)
Loss from continuing operations applicable to common stock	(1,151,418)	(1,537,600)	(5,066,423)	(6,703,010)
Income (loss) from discontinued operations	7,561	197,187	(123,486)	1,062,466
Net loss applicable to common stock	<u>\$ (1,143,857)</u>	<u>\$ (1,340,413)</u>	<u>\$ (5,189,909)</u>	<u>\$ (5,640,544)</u>
Weighted average common shares outstanding - basic and diluted	682,374	631,213	659,296	631,151
Earnings per share - basic and diluted¹:				
Loss from continuing operations	\$ (1.69)	\$ (2.44)	\$ (7.68)	\$ (10.62)
Discontinued operations	0.01	0.31	(0.19)	1.68
Net loss	<u>\$ (1.68)</u>	<u>\$ (2.13)</u>	<u>\$ (7.87)</u>	<u>\$ (8.94)</u>

¹ Certain amounts may not total due to rounding of individual components.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Options to purchase shares of common stock	24,013	5,263	26,645	31,675
Series E convertible preferred stock	127,840	127,840	127,840	127,840
Shares of non-vested restricted stock	1,342	5,203	1,342	7,422
	<u>153,195</u>	<u>138,306</u>	<u>155,827</u>	<u>166,937</u>

Note 9: Income Taxes

At June 30, 2011, the Company maintains a valuation allowance against its deferred tax assets. The Company determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to the Company's ability to generate sufficient profits from its new business model.

During the nine months ended June 30, 2011, the Company did not incur any income tax benefit associated with its net loss due to the establishment of a valuation allowance against deferred tax assets generated during the period.

Note 10: Commitments and Contingencies

Operating Leases and Service Contracts

As of June 30, 2011, future minimum annual payments under operating lease agreements and non-cancelable service contracts for fiscal years ending September 30 are as follows:

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

	Payments Due by Fiscal Year						Thereafter
	Total	2011	2012	2013	2014	2015	
Operating lease commitments	\$ 522,104	\$ 83,333	\$ 348,871	\$ 89,900	\$ -	\$ -	\$ -
Non-cancelable service contracts	291,583	153,583	138,000	-	-	-	-
	<u>\$ 813,687</u>	<u>\$ 236,916</u>	<u>\$ 486,871</u>	<u>\$ 89,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Capital leases

As of June 30, 2011, future obligations under non-cancelable capital leases are as follows for the fiscal years ended September 30:

2011	\$ 16,035
2012	37,417
2013	-
2014	-
2015	-
Thereafter	-
Total minimum lease payments	53,452
Less imputed interest	(845)
Present value of minimum lease payments	52,607
Less: current maturities of capital lease obligations	52,607
Noncurrent maturities of capital lease obligations	<u>\$ -</u>

Litigation

Except as described below, as of June 30, 2011, the Company was not a party to any pending material legal proceedings other than claims that arise in the normal conduct of its business. While management currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on its 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 the Company's net income (loss) in the period in which a ruling occurs. The Company's estimate of the potential impact of the following legal proceedings on its financial position and its results of operations could change in the future.

The Company has not recorded any accruals pertaining to its legal proceedings, as they do not meet the criteria for accrual under FASB ASC 450.

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.

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

On October 20, 2010, Mr. Cunningham filed objections to OSHA's findings. On April 1, 2011, an administrative law judge for the U.S. Department of Labor issued an Order of Dismissal confirming OSHA's findings. Mr. Cunningham has elected not to appeal the Order of Dismissal, concluding the substantive proceedings. On April 15, 2011, the Company filed a petition for review for the limited purpose of seeking an award of attorneys' fees.

On June 13, 2011, Mr. Cunningham entered into a Settlement Agreement and Mutual Release with the Company and the members of the Company's board of directors who had been named as defendants in the lawsuit. The parties to the Settlement Agreement and Mutual Release agreed to, among other things, bear their own attorneys' fees and costs and release, discharge and covenant not to sue one another, and/or any of their current, past or future subsidiaries, parents, affiliates, owners, officers, directors, employees, agents or representatives on any and all claims, actions . . . contracts, [and] agreements . . . whether known or unknown . . . as of [June 13, 2011], arising out of or relating to the Litigation and/or Cunningham's position as a member of the LiveDeal Board of Directors." As a result of the Settlement Agreement and Mutual Release, this matter has been resolved and the Company has filed a notice to dismiss its limited petition for review.

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

On June 6, 2008, Plaintiff 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 sought 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, but Plaintiff sought to restart the litigation through arbitration.

On August 1, 2011, the parties participated in an arbitration hearing regarding the status of a settlement agreement previously considered in their attempts to resolve the matter. GES argued that the settlement agreement should be reformed to provide for a higher settlement amount (or, in the alternative, rescinded), and the Company argued that the agreement should be enforced as written (or, in the alternative, rescinded). The arbitrator rescinded the settlement agreement and awarded fees and costs to the plaintiffs. It is estimated that the request for fees and costs will be about \$40,000.

Nasdaq Compliance Issues

On February 2, 2011, the Company received a letter from Nasdaq's Listing Qualifications Department informing the Company of its failure to comply with Nasdaq Listing Rule 5550(a)(4), which requires that the Company have at least 500,000 publicly held shares for continued listing on the Nasdaq Capital Market. In accordance with Listing Rule 5810(c)(2)(C), the Company was given a 45-day period (until March 19, 2011) to provide the Nasdaq staff with a specific plan to achieve and sustain compliance with all of the Nasdaq Capital Market listing requirements, including a time frame for the completion of the plan. In accordance with the requirements set forth in Nasdaq's letter, the Company submitted its compliance plan on March 18, 2011. The plan included several alternative strategies for regaining compliance with Listing Rule 5550(a)(4), including the issuance of additional shares of common stock in one or more private placement transactions, assuming a suitable investor could be identified.

On April 14, 2011, Nasdaq notified the Company that its compliance plan had been accepted, and that the Company had been granted an extension to regain compliance with Listing Rule 5550(a)(4). Pursuant to the terms of the extension, on or before August 1, 2011, the Company was required to file with the SEC and Nasdaq a public document containing its current total shares outstanding and a beneficial ownership table prepared in accordance with SEC rules.

On May 18, 2011, the Company received a letter from Nasdaq's Listing Qualifications Department informing the Company of its failure to comply with Nasdaq Listing Rule 5550(b)(1), which requires the Company to maintain a minimum of \$2,500,000 in stockholders' equity for continued listing on the Nasdaq Capital Market. As of March 31, 2011, the Company had stockholders' equity of \$2,124,183, as reported in the Quarterly Report on Form 10-Q filed by the Company on May 16, 2011.

In accordance with Listing Rule 5810(c)(2)(C), the Company was given a 45-day period (until July 5, 2011) to provide the Nasdaq staff with a specific plan to achieve and sustain compliance with all of the Nasdaq Capital Market listing requirements, including a time frame for the completion of the plan. On July 5, 2011, the Company submitted its compliance plan and supporting documentation.

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

On July 19, 2011, the Company's board of directors authorized and approved a 20:19 forward stock split with respect to the Company's issued and outstanding common stock to enable the Company to regain compliance with Listing Rule 5550(a)(4). The forward stock split was implemented in the form of a stock dividend, with one (1) share of the Company's common stock issued in respect of every 19 shares of common stock issued and outstanding as of July 29, 2011, the record date for the forward stock split. Any fractional shares otherwise issuable as a result of the forward stock split were rounded up to the nearest whole share. The forward stock split was completed on August 10, 2011.

On August 2, 2011, the Company received a letter from Nasdaq's Listing Qualifications Department informing the Company of its failure to comply with the terms of an extension previously granted by the Nasdaq staff for the Company to regain compliance with Nasdaq Listing Rule 5550(a)(4), which requires that the Company have at least 500,000 publicly held shares for continued listing on the Nasdaq Capital Market.

As noted above, the Company was first notified of its failure to comply with Nasdaq Listing Rule 5550(a)(4) on February 2, 2011 and was subsequently granted an extension (until August 1, 2011) to regain compliance. Due to procedural requirements, the Company was unable to complete the forward stock split by Nasdaq's August 1, 2011 deadline, which resulted in the August 2, 2011 letter described above.

According to the letter, as a result of the Company's failure to meet the terms of its extension, the Company's common stock was to be delisted from the Nasdaq Capital Market on August 11, 2011 unless the Company appealed the staff's delisting determination to a Nasdaq hearings panel by August 9, 2011. In the letter, the Nasdaq staff also noted the Company's failure to comply with Nasdaq Listing Rule 5550(b), which requires that the Company maintain stockholders' equity of at least \$2,500,000, as an additional basis for delisting the Company's common stock.

The Company appealed the Nasdaq staff's delisting determination on August 9, 2011 and requested an oral hearing, at which the Company will present its comprehensive plan to regain and sustain compliance with Nasdaq Listing Rules 5550(a)(4) and 5550(b). While the appeal is pending, the Company's common stock will continue to be traded on the Nasdaq Capital Market.

Note 11: Concentration of Credit Risk

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

The Company has concentrations of receivables with respect to certain wholesale accounts and remaining holdbacks with Local Exchange Carrier ("LEC") service providers. Three such entities accounted for 28%, 25% and 24% of gross receivables at June 30, 2011 and 27%, 27%, and 16% of gross receivables at September 30, 2010, respectively.

Note 12: Segment Reporting

The Company has historically had two reportable operating segments: Directory Services and Direct Sales - Customer Acquisition Services. During the nine months ended June 30, 2011, the Company discontinued its direct sales operations as described in Note 5. Accordingly, the Company's continuing operations consists of only one business segment.

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

Note 13: Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). A majority of this update was effective for the Company for all interim and annual reporting periods beginning after December 15, 2009. However, the guidance also required that the disclosures on any Level 3 assets present separately information about purchases, sales, issuances and settlements. This portion of the guidance is effective for fiscal years beginning after December 15, 2010, and is effective for us on October 1, 2011. We do not believe that the full adoption of ASU 2010-06, with respect to the Level 3 measurements, will have a material impact on our fair value measurement disclosures.

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

In December 2010, FASB issued Accounting Standards Update (ASU) No. 2010-29, Business Combinations (Topic 805) – Disclosure of Supplementary Pro Forma Information for Business Combinations. If a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU 2010-29 also expands the supplementary pro forma disclosures. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. ASU 2010-29 will only affect the Company if there are future business combinations.

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 was effective for the Company on October 1, 2010. The adoption of ASU 2009-13 did not have a material impact on our financial condition, results of operations, and disclosures.

Note 14: Subsequent Events

Term Sheet for \$1,500,000 Equity Investment

On July 5, 2011, the Company received an executed term sheet from a prospective investor based in Japan (“Investor”), setting forth certain terms and conditions of a proposed \$1,500,000 investment in the Company. The term sheet, which is legally non-binding, provides that Investor and certain co-investors would purchase an aggregate of 600,000 newly issued shares of the Company’s common stock at a purchase price of \$2.50 per share. Investor and its co-investors would also be entitled to appoint up to five members of the Company’s board of directors, who could be current directors or new appointees, subject to applicable rules and regulations of the Securities and Exchange Commission and The Nasdaq Stock Market.

The proposed investment transaction is subject to certain conditions, including the completion of Investor’s due diligence review of the Company, the parties’ execution and delivery of a definitive stock purchase agreement, and the approval of the Company’s stockholders. Unless and until a definitive stock purchase agreement is executed and stockholder approval is obtained, Investor will not be obligated to consummate the proposed investment.

20:19 Forward Stock Split

On July 19, 2011, the board of directors of LiveDeal, Inc. (the “Company”) authorized and approved a 20:19 forward stock split with respect to the Company’s issued and outstanding common stock. The forward stock split will be implemented in the form of a stock dividend, with one (1) share of the Company’s common stock to be issued in respect of every 19 shares of common stock issued and outstanding as of July 29, 2011, the record date for the forward stock split. Any fractional shares otherwise issuable as a result of the forward stock split will be rounded up to the nearest whole share. The Company completed the forward stock split which took effect on the NASDAQ Capital Market on August 10, 2011.

Updates on Pending Litigation and Nasdaq Compliance Issues

Reference is made to the disclosures set forth under “Litigation” and “Nasdaq Compliance Issues” in Note 10 (Commitments and Contingencies) above.

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three and nine months ended June 30, 2011, this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2010.

Forward-Looking Statements

This portion of this Quarterly Report on Form 10-Q includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "intends," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained herein include, but are not limited to, our belief that existing cash on hand and additional cash generated from operations together with the additional cash obtained from the loan facility the Company entered into on May 13, 2011, as described in more detail in Note 3 together with additional cash obtained from other sources of capital will provide us with sufficient liquidity to meet our needs for the next 12 months, such other sources of capital possibly including stock issuances and additional loans, that we would be able to obtain advances from our existing LEC clearing houses through their current advance programs, that we could obtain other forms of financing secured by or leveraged off our accounts receivable based on existing programs in place that are being offered to companies similar to ours; that our directory services will account for a larger percentage of total net revenues in the future; expectations about stock option and restricted stock vesting; trends relating to our accounts receivable; the timing, amount and expectations about the cost and impact of legal proceedings that we are involved in; our expectation that we will experience increasing revenues in our Directory Services segment; trends in Internet advertising and customer acquisition strategies; our expectation that we will continue to experience operating losses and operating cash outflows; our plans and expectations with respect to new product and service offerings in our Directory Services segment; and strategic alternatives we may pursue and their potential impact on the Company. Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010 under Item 1A "Risk Factors", as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position, our ability to repay the loan facility referenced above when it comes due, our ability to achieve profitability and our ability to generate sufficient operating cash flows. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Our Company

LiveDeal, Inc. provides internet based directory services for small businesses. LiveDeal 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 and companion products by our subsidiary, Velocity Marketing Concepts, Inc.

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 internet based directory services to the small business segment through the InstantAgency Suite of products and services. These products are currently sold through a wholly owned subsidiary that targets complimentary aspects of the small business market.

The InstantAgency® products include:

InstantProfile distributes a small business' key contact and service information to the top Internet destinations (based on popularity), including 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 tools that assist them in communicating directly with their customers and employees. These communication tools include a conferencing solution to host calls with up to 10 participants and an online electronic fax solution with unlimited faxes included.

Advertisers that utilize our InstantProfile Premium product benefit from two additional features, Virtual PBX and InstantStorage. Virtual PBX delivers audio messages directly to the advertiser's email inbox or data enabled phone for quick access and storage of important messages. InstantStorage offers cloud based file storage and retrieval from any computer with internet access. These two products expand the benefits of the InstantProfile suite by providing direct access to important messages and files to the small business customer on the go.

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 to be entry level products and services that can grow with a small business. 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 Developments

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 and the first nine months of fiscal 2011.

Discontinued Operations

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

We initiated shutdown activities in March 2011 and completed such activities in May 2011. In conjunction with the discontinued operations, we recorded the following charges in the nine months ended June 30, 2011:

- Employee contract termination charges of \$7,083 reflecting the reduction in force of 7 employees;
- Non cash impairment charges \$367,588 consisting of the write-off of net intangible assets;

The Direct Sales business segment accounted for \$105,293 and \$1,341,430 of net revenues for the three and nine months ended June 30, 2011, respectively, and \$658,847 and \$3,092,607 of net revenues for the three and nine months ended June 30, 2010, respectively, which are now included as part of income (loss) from discontinued component including disposal costs, in the accompanying unaudited condensed consolidated statements of operations.

As part of our plan to discontinue the Direct Sales segment, we entered into an agreement dated April 25, 2011 to migrate those customers to a third party in exchange for ten and five percent of gross revenues derived from such customers during the first and second year, respectively, following the date of the agreement. We have no continuing involvement or influence in the third parties' operations, nor does the third party have any recourse to us in the event of lost customers, nonpayment by the customers, etc. The Company recorded \$4,000 in revenues for this agreement during the three and nine months ended June 30, 2011.

Management Changes

On March 24, 2011, we appointed Kevin Hall as our Chief Executive Officer and entered into a two-year employment agreement. Under the terms of this agreement, Mr. Hall is to receive an annual salary of \$225,000 and target performance bonuses of 50% of his annual salary. The agreement also provides for the immediate issuance of an option to purchase 13,487 shares with an exercise price equal to the stock price on the date of grant, and contains severance provisions which provide payment equal to between three and nine months salary depending on the timing of the termination and the relevant facts and circumstances. Mr. Hall has been the President and Chief Operating Officer since May 2010.

On May 20, 2011, we entered into a one year employment agreement with Lawrence Tomsic as Chief Financial Officer. Under the terms of this agreement, Mr. Tomsic is to receive an annual salary of \$220,000 and target performance bonuses of \$80,000. The agreement also provides for the immediate issuance of an option to purchase 10,526 shares with an exercise price equal to the stock price on the date of grant, and contains severance provisions which provide payment equal to between one and two months salary depending on the timing of the termination and the relevant facts and circumstances.

Restructuring Activities

On November 30, 2010, the 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.

During the three and nine months ended June 30, 2011, the Company incurred expenses of \$0 and \$99,319 respectively, in connection with the reduction in force, of which \$37,500 were incurred for one-time employee termination benefits payable in cash. The remaining expenses relate to salaries and wages payable in cash to the affected employees. All amounts were paid as of December 31, 2010 and no additional expenses pertaining to this reduction in force are expected to be incurred subsequent to June 30, 2011.

Results of Operations

The following sets forth a discussion of our financial results for the three and nine months ended June 30, 2011 as compared to the three and nine months ended June 30, 2010. In evaluating our business, management reviews several key performance indicators including new customer signups, total customers in each line of business, revenues per customer, customer retention rates, etc. However, given the changing nature of our business strategy, we do not believe that presentation of such metrics would reveal any meaningful trends in our operations that are not otherwise apparent from the discussion of our financial results below.

Net Revenues

	Net Revenues			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ 1,124,976	\$ 992,260	\$ 132,716	13%
Nine Months Ended June 30,	\$ 3,237,763	\$ 3,201,600	\$ 36,163	1%

Net revenues increased in the third quarter of fiscal 2011 as compared to the third quarter of fiscal 2010 attributable to the \$375,000 increase in Velocity sales plus \$7,000 of Web sales which was in excess of the \$249,000 decline in Legacy sales.

Net revenues increased in the first nine months of fiscal 2011 as compared to the first nine months of fiscal 2010 as the \$807,000 increase in Velocity sales plus \$7,000 of Web sales was in excess of the \$778,000 decline in Legacy sales.

Cost of Services

	Cost of Services			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ 1,048,229	\$ 174,698	\$ 873,531	500%
Nine Months Ended June 30,	\$ 3,455,589	\$ 455,644	\$ 2,999,945	658%

Cost of services increased in the third quarter of fiscal 2011 as compared to the third quarter of fiscal 2010 attributable to increased costs for Velocity, commissions for new customers of \$437,000, fulfillment costs of \$410,000, leads of \$48,000 and miscellaneous costs of \$81,000 less the decrease in internet site costs of \$102,000.

Cost of services increased in the first nine months of fiscal 2011 as compared to the first nine months of fiscal 2010 attributable to increased costs for Velocity, commissions for new customers of \$1,488,000, fulfillment costs of \$1,146,000, leads of \$179,000 and miscellaneous costs of \$187,000.

Gross Profit

	Gross Profit			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ 76,747	\$ 817,562	\$ (740,815)	(91)%
Nine Months Ended June 30,	\$ (217,826)	\$ 2,745,956	\$ (2,963,782)	(108)%

Gross profit decreased in the third quarter and first nine months of fiscal 2011 as compared to the third quarter and first nine months of fiscal 2010 primarily due to the increased cost of services as described above.

General and Administrative Expenses

	General and Administrative Expenses			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ 1,172,536	\$ 2,357,797	\$ (1,185,261)	(50)%
Nine Months Ended June 30,	\$ 4,756,487	\$ 9,457,739	\$ (4,701,252)	(50)%

General and administrative expenses decreased in the third quarter of fiscal 2011 as compared to the third quarter of fiscal 2010 primarily due to the following:

- Decreased compensation costs of approximately \$544,000 reflecting the impacts of our restructuring actions and reduction in force during 2009, 2010 and 2011 from 111 employees at September 30, 2009 to 13 employees as of June 30, 2011;
- Other expense decreases of \$206,000, including, but not limited to, rent and utilities, services and fees, office and supplies expenses, office closure expenses, travel and entertainment and other corporate expenses associated with our office closures, reductions in force and other cost containment initiatives;
- Decreased professional fees of approximately \$299,000 related to reduced IT consulting of \$131,000, legal fees of \$13,000, investment banker fees of \$10,000, accounting fees of \$7,000, marketing consultants of \$25,000, outside sales service costs of \$51,000 and other miscellaneous consultants costs of \$62,000;
- Decreased depreciation and amortization expense of \$136,000;

General and administrative expenses decreased in the first nine months of fiscal 2011 as compared to the first nine months of fiscal 2010 for similar reasons, as outlined below:

- Decreased compensation costs of approximately \$2,665,000 reflecting the impacts of our restructuring actions and reduction in force during 2009, 2010 and 2011 from 111 employees at September 30, 2009 to 13 employees as of June 30, 2011;
- Other expense decreases of \$734,000, including, but not limited to, rent and utilities, services and fees, office and supplies expenses, office closure expenses, travel and entertainment and other corporate expenses associated with our office closures, reductions in force and other cost containment initiatives;
- A reduction of \$300,000 in damages paid in a legal settlement incurred in the first quarter of fiscal 2010;
- Decreased professional fees of approximately \$818,000 related to legal costs of \$305,000 due to the resolution and wind-down of certain litigation activities, IT consultants of \$217,000, investment banker fees of \$156,000, accounting fees of \$84,000, marketing consultants of \$62,000 and other miscellaneous consultants costs of \$52,000 partially offset by outside sales service costs of \$58,000;
- Decreased depreciation and amortization expense of \$184,000;

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

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Compensation for employees, officers and directors	\$ 422,901	\$ 536,269	\$ 936,426	\$ 1,048,094	\$ 967,323
Professional fees	378,960	539,950	453,062	551,394	677,507
Depreciation and amortization	79,227	190,254	205,477	214,617	215,102
Other general and administrative costs	291,448	344,909	377,604	462,278	497,863

Sales and Marketing Expenses

	Sales and Marketing Expenses			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ 19,543	\$ 1,826	\$ 17,717	970%
Nine Months Ended June 30,	\$ 56,318	\$ 262,937	\$ (206,619)	(79)%

Sales and marketing expenses increased in the third quarter of fiscal 2011 as compared to the third quarter of fiscal 2010 primarily due to marketing of new web services of approximately \$18,000.

Sales and marketing expenses decreased in the first nine months of fiscal 2011 as compared to the first nine months of fiscal 2010 primarily due to less spending on Robo Dialer and clicks for new customers of \$225,000 partially offset by marketing of new web services of approximately \$18,000.

Operating Loss

	Operating Income (Loss)			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ (1,115,332)	\$ (1,542,061)	\$ 426,729	(28)%
Nine Months Ended June 30,	\$ (5,030,631)	\$ (6,974,720)	\$ 1,944,089	(28)%

The changes in operating loss for the third quarter and first nine months of fiscal 2011 as compared to the third quarter and first nine months of 2010 reflect a variety of changes in net revenues, cost of sales, general and administrative expenses and sales and marketing expenses, each of which are described above.

Total Other Income (Expense)

	Total Other Income (Expense)			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ (35,606)	\$ 4,940	\$ (40,546)	(821)%
Nine Months Ended June 30,	\$ (34,354)	\$ 42,765	\$ (77,119)	(180)%

For the third quarter of fiscal 2011, the Company paid \$23,000 in interest expense to the Everest Group and had a loss of \$11,000 on the sale of fixed assets. For the third quarter of fiscal 2010, the Company recorded a tax refund of \$6,000 and interest income of \$4,000 and had a loss of \$5,000 on the sale of fixed assets. For the nine months of fiscal 2011, the Company paid \$23,000 in interest expense to the Everest Group and had a loss of \$11,000 on the sale of fixed assets. For the nine months ended 2010, the Company recorded \$50,000 of income related to the adjustment of certain accruals plus \$19,000 in interest income on cash balances less a loss of \$26,000 on the sales and disposals of fixed assets.

Income Tax Provision (Benefit)

	Income Tax Provision (Benefit)			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ -	\$ -	\$ -	n/a
Nine Months Ended June 30,	\$ -	\$ (230,382)	\$ 230,382	(100)%

In the second quarter of fiscal 2009, the Company established a valuation allowance against all deferred tax assets given the uncertainty with respect to future operations and we continue to maintain a full valuation allowance against such assets. Accordingly, there is no tax expense or benefit for the three and nine months ended June 30, 2011. The income tax provision during the second quarter and first nine months of fiscal 2010 reflects true-ups to our income tax receivable based on information received during the preparation of our 2009 tax returns.

Income (Loss) from Discontinued Operations

	Income (Loss) from Discontinued Operations			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ 7,561	\$ 197,187	\$ (189,626)	(96)%
Nine Months Ended June 30,	\$ (123,486)	\$ 1,062,466	\$ (1,185,952)	(112)%

In March 2011, the Company decided to discontinue the Direct Sales business and closed that business segment in May 2011 and reflected the change for previously reported periods. See discussions in "Recent Developments" above. The decline in profitability between the three and nine months ended June 30, 2011 as compared to the three and nine months ended June 30, 2010 reflects a decline in revenues as we made a strategic shift away from this line of business as well as approximately \$375,000 of impairment and employee termination charges associated with our discontinued line of business recorded in the second fiscal quarter of 2011.

Net Loss

	Net Income (Loss)			
	2011	2010	Change	Percent
Three Months Ended June 30,	\$ (1,143,377)	\$ (1,339,934)	\$ 196,557	(15)%
Nine Months Ended June 30,	\$ (5,188,471)	\$ (5,639,107)	\$ 450,636	(8)%

Changes in net income (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 was approximately \$3,980,000 for the first nine months of fiscal 2011 as compared to approximately \$2,842,000 for the first nine months of fiscal 2010. While our net loss decreased by \$451,000 in the first nine months of fiscal 2011 as compared to the first nine months of fiscal 2010, the cash impacts of this decreased net loss were partially offset by a reduction of non-cash expenses of \$234,000 including depreciation expense, stock compensation and bad debt expense. Changes in working capital and other current assets caused a decrease in operating cash flows of \$1,355,000 during the first nine months of fiscal 2011 as compared to the first nine months of fiscal 2010, primarily attributable to the collection of income taxes receivable in 2010 resulting from net operating loss carrybacks. 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. As of June 30, 2011, three such entities accounted for 28%, 25% and 24% of gross accounts receivable.

We discontinued the Direct Sales Services business in May 2011 as discussed in Note 5. We previously received upfront payments averaging approximately one-sixth of the gross contract amount. Subsequent payments were received on an installment basis after the application of the initial payment amounts and were billed ratably over the remaining life of the contract.

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

Net cash used for investing activities totaled approximately \$97,000 for the first nine months of fiscal 2011 consisting of \$101,000 from a certificate of deposit redeemed partially offset by \$4,000 for expenditures for software development. Net cash used for investing activities totaled approximately \$481,000 for the first nine months of fiscal 2010 consisting of \$231,000 for expenditures for software development, \$200,000 to purchase a certificate of deposit and \$55,000 of purchases of property and equipment partially offset by \$5,000 from the sale of equipment.

During the first nine months of fiscal 2011, our cash flows from financing activities consisted of \$1,254,000 received from debt obtained of \$1,000,000, the issuance of stock to investors of \$300,000, partially offset by \$46,000 of payments on capital lease obligations. During the first nine months of fiscal 2010, we experienced financing cash outflows consisting of \$73,000 for capital lease obligations and \$26,000 for purchases of treasury stock.

We had working capital of \$(691,000) as of June 30, 2011 compared to \$3,201,000 as of September 30, 2010 with current assets decreasing by \$2,835,000 and current liabilities increasing by \$1,058,000 from September 30, 2010 to June 30, 2011. Declines in working capital are primarily attributable to our operating net loss.

While we believe that its existing cash on hand, together with other sources of capital, such other sources of cash possibly including: stock issuances; additional loans; advances from our existing LEC clearing houses through their current advance programs; or other forms of financing secured by or leveraged off our 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 generate sufficient revenue to repay the loan facility referenced above when it comes due or that we will achieve profitability, positive operating cash flows, or sufficient cash flows for operations. To the extent that we cannot repay the loan when it comes due or achieve profitability or sufficient operating cash flows, our business will be materially and adversely affected. Further, our business is likely to experience significant volatility in its revenues, operating losses, personnel involved, products or services for sale, and other business parameters, as management implements its strategies and responds to operating results. Although we have suspended new sales of the Velocity products, we continue to maintain the Legacy business and we are simultaneously exploring other strategic alternatives. We cannot provide any assurance that additional financing arrangements will be available in amounts or on terms acceptable to us, if at all.

Contractual Obligations

The following table summarizes our contractual obligations at June 30, 2011 and the effect such obligations are expected to have on our future liquidity and cash flows:

	Payments Due by Fiscal Year						
	Total	2011	2012	2013	2014	2015	Thereafter
Operating lease commitments	\$ 522,104	\$ 83,333	\$ 348,871	\$ 89,900	\$ -	\$ -	\$ -
Capital lease commitments	53,452	16,035	37,417	-	-	-	-
Noncancellable service contracts	291,583	153,583	138,000	-	-	-	-
	<u>\$ 867,139</u>	<u>\$ 252,951</u>	<u>\$ 524,288</u>	<u>\$ 89,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2011, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (“Exchange Act”) Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company has recently undergone changes in its business including a reduction in force which did not negatively impact its internal control structure.

Changes in Internal Controls Over Financial Reporting. There have been no changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended June 30, 2011 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as described below, as of June 30, 2011, the Company was not a party to any pending material legal proceedings other than claims that arise in the normal conduct of its business. While management currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on its 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 the Company's net income in the period in which a ruling occurs. The Company's estimate of the potential impact of the following legal proceedings on its financial position and its results of operations could change in the future.

The Company has not recorded any accruals pertaining to its legal proceedings as they do not meet the criteria for accrual under FASB ASC 450.

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. On April 1, 2011, an administrative law judge for the U.S. Department of Labor issued an Order of Dismissal confirming OSHA's findings. Mr. Cunningham has elected not to appeal the Order of Dismissal, concluding the substantive proceedings. On April 15, 2011, the Company filed a petition for review for the limited purpose of seeking an award of attorneys' fees.

On June 13, 2011, Mr. Cunningham entered into a Settlement Agreement and Mutual Release with the Company and the members of the Company's board of directors who had been named as defendants in the lawsuit. The parties to the Settlement Agreement and Mutual Release agreed to, among other things, bear their own attorneys' fees and costs and "release, discharge and covenant not to sue one another, and/or any of their current, past or future subsidiaries, parents, affiliates, owners, officers, directors, employees, agents or representatives on any and all claims, actions . . . contracts, [and] agreements . . . whether known or unknown . . . as of [June 13, 2011], arising out of or relating to the Litigation and/or Cunningham's position as a member of the LiveDeal Board of Directors." As a result of the Settlement Agreement and Mutual Release, this matter has been resolved and the Company has filed a notice to dismiss its limited petition for review.

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

On June 6, 2008, Plaintiff 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 sought 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, but Plaintiff sought to restart the litigation through arbitration.

On August 1, 2011, the parties participated in an arbitration hearing regarding the status of a settlement agreement previously considered in their attempts to resolve the matter. GES argued that the settlement agreement should be reformed to provide for a higher settlement amount (or, in the alternative, rescinded), and the Company argued that the agreement should be enforced as written (or, in the alternative, rescinded). The arbitrator rescinded the settlement agreement and awarded fees and costs to the plaintiffs. It is estimated that the request for fees and costs will be about \$40,000.

ITEM 1A. RISK FACTORS

Other than as set forth below, there have been no material changes to the factors disclosed in Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010.

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 the additional cash generated from operations and obtained from the loan facility we entered into on May 13, 2011, as described in more detail in Note 3 together with other sources of capital, such other sources of capital possibly including stock issuances; additional loans; advances from our existing LEC clearing houses through their current advance programs or other forms of financing secured by or leveraged off our 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 generate sufficient revenue to repay the loan facility referenced above when it comes due or that we will achieve profitability or positive operating cash flows. To the extent that we cannot repay the loan when it comes due or 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 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, the additional cash obtained from the loan facility we entered into on May 13, 2011, as described in more detail in Note 3 together with other sources of capital, such other sources of capital possibly including stock issuances and loans; advances from our existing LEC clearing houses through their current advance programs or other forms of financing secured by or leveraged off our 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 failure to regain and sustain compliance with applicable Nasdaq Listing Rules could result in Nasdaq delisting our common stock.

Nasdaq Listing Rules require us to, among other things:

- maintain a closing bid price of \$1.00 per share for our common stock;

- have at least 500,000 “publicly held” shares of our common stock (i.e., shares that are not held by the Company’s directors, officers or 10% or greater stockholders);
- maintain stockholders’ equity (as reported on our consolidated balance sheet) of at least \$2,500,000; and
- maintain a market value of our “publicly held” shares of at least \$1,000,000.

As of the date of this filing, the Company is not in compliance with the minimum stockholders’ equity requirement described above, and we recently regained compliance with the 500,000 “publicly held” shares requirement by completing a 20:19 forward stock split. On August 2, 2011, the Company received notice from Nasdaq’s Listing Qualifications Department notifying us that a determination had been made to delist the Company’s common stock from the Nasdaq Capital Market on August 11, 2011, unless the Company filed an appeal of such determination by August 9, 2011. Subsequently, the Company timely filed its appeal, and we anticipate that an oral hearing will be held before a Nasdaq panel in September 2011.

At that hearing, the Company will present its plan to regain and sustain compliance with all applicable requirements for the continued listing of our common stock on the Nasdaq Capital Market, including the \$2,500,000 minimum stockholders’ equity requirement. The Company anticipates that the Nasdaq hearings panel will issue a decision in October 2011. Such panel has the discretion to provide the Company with an extension (up to January 29, 2012) to regain compliance with the minimum stockholders’ equity requirement. Our common stock will continue to be traded on the Nasdaq Capital Market without interruption until the Nasdaq hearings panel issues its decision (and during any extension granted by such panel, if applicable). If the Nasdaq hearings panel does not grant the Company an extension to regain compliance, trading of our common stock would be suspended two trading days following the panel’s issuance of its decision, at which point the Company’s common stock could be traded on the Over-The-Counter Bulletin Board or the “pink sheets.”

There can be no assurance that (i) the Nasdaq hearings panel will grant the Company an extension to regain compliance with Nasdaq’s minimum stockholders’ equity requirement, (ii) we will sustain compliance with applicable Nasdaq Listing Rules in the future, or (iii) our common stock will continue to be traded on the Nasdaq Capital Market (or any other securities exchange or market). Please refer to the disclosures set forth under “Nasdaq Compliance Issues” in Note 10 (Commitments and Contingencies) for more information regarding these issues.

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

The Company issued a total of 10,124 shares of its common stock in private transactions during the quarter that ended on June 30, 2011. Additional information about those transactions, including the consideration received by the Company and the exemptions from registration relied on by the Company, is set forth in Note 7 to the financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

The following exhibits are attached hereto:

<u>Exhibit Number</u>	<u>Description</u>
<u>10.1</u>	Loan Agreement, dated May 13, 2011, between LiveDeal, Inc., Local Marketing Experts, Inc., Velocity Marketing Concepts, Inc., 247 Marketing, LLC, Telco Billing, Inc., Telco of Canada, Inc., LiveDeal, Inc. (California), and Everest Group LLC
<u>10.2</u>	General Security Agreement, dated May 13, 2011, between LiveDeal, Inc., Local Marketing Experts, Inc., Velocity Marketing Concepts, Inc., 247 Marketing, LLC, Telco Billing, Inc., Telco of Canada, Inc., LiveDeal, Inc. (California), and Everest Group LLC
10.3	Employment agreement, dated May 20, 2011, between LiveDeal, Inc. and Lawrence W. Tomsic
31	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Section 1350 Certifications

SIGNATURES

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

LiveDeal, Inc.

Dated: August 15, 2011

/s/ Lawrence W. Tomsic

Lawrence W. Tomsic
Chief Financial Officer

=====
=====

LOAN AGREEMENT

between

**LIVEDEAL, INC., a Nevada corporation
LOCAL MARKETING EXPERTS, INC.
VELOCITY MARKETING CONCEPTS, INC.
247 MARKETING, LLC
TELCO BILLING, INC.
TELCO OF CANADA, INC.**

and

**LIVEDEAL, INC., a California corporation
(as Borrowers)**

and

**EVEREST GROUP LLC
(as Lender)**

=====
=====

Dated: May 13, 2011



LOAN AGREEMENT

This LOAN AGREEMENT is made this 13th day of May, 2011, by and among LiveDeal, Inc. a Nevada corporation, formerly known as YP Corp. ("LiveDeal"), Local Marketing Experts, Inc., a Nevada corporation ("Local"), Velocity Marketing Concepts, Inc., a Nevada corporation ("Velocity"), 247 Marketing, LLC a Nevada limited liability company ("247"), Telco Billing, Inc., a Nevada corporation ("Telco Billing"), Telco of Canada, Inc. a Nevada corporation ("Telco Canada") and LiveDeal, Inc., a California corporation ("LiveDeal California"), (each of LiveDeal, Local, Velocity, 247, Telco Billing, Telco Canada and LiveDeal California is a "Borrower" and collectively the "Borrowers"), and Everest Group LLC, a Nevada limited liability company ("Lender").

WITNESSETH:

WHEREAS, the Borrowers have requested Lender extend a one million dollar (\$1,000,000) loan to the Borrowers, the proceeds of which will be used by the Borrowers for general corporate purposes and provide the Borrowers with working capital; and

WHEREAS, Lender is willing to extend the loan on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of Lender making the loan to the Borrowers as herein provided, the premises set forth above, which are incorporated herein by this reference and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. DEFINITIONS. As used herein, the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

1.1. "Affiliate" shall mean any Person which, directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with, any other Person. For purposes hereof, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting stock or other equity interests, by contract or otherwise.

1.2. "Agreement" shall mean this Loan Agreement dated May 13, 2011 between the Borrowers and Lender.

1.3. "Authenticate" shall mean to sign or to execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole or in part, with the present intent of the authenticating person to identify the person and adopt or accept a Record.

1.4. "Banking Day" shall mean any day other than a Saturday or Sunday on which commercial banks in Nevada are generally open for business.

1.5. "Borrower" or "Borrowers" shall have the meaning given to such terms in the opening paragraph of this Agreement.

1.6. "Capital Interests" shall mean any and all shares, interests, participations or other equivalents (however designated) of each Borrower at any time outstanding, and any and all rights, warrants or options exchangeable for or convertible into such capital interests (but excluding any debt security that is exchangeable for or convertible into such capital interests).

1.7. "Change of Control" shall be deemed to have occurred if either (i) LiveDeal ceases to own 100% of the Capital Interests of each of the other Borrowers; (ii) a change in the Articles of Incorporation or Bylaws of LiveDeal which causes Control of LiveDeal or the Persons which own or control LiveDeal to reside in an unaffiliated third Person; (iii) the sale, assignment, pledge, gift, or other transfer of all or substantially all of the business and/or assets of Borrowers to an unaffiliated third Person; (iv) the merger or consolidation of any Borrower if the surviving, successor corporation is not controlled by LiveDeal's current owners; or (v) the sale of a majority of the shares of voting stock of any Borrower to an unaffiliated third Person.

1.8. "Code" shall mean the Internal Revenue Code of the United States.

1.9. "Collateral" shall mean (i) all of the Property and interests in such Property and (ii) all other property of the Borrowers, in each case, that secures the payment and performance of any of the Obligations pursuant to any of the Loan Documents or otherwise.

1.10. "Control" means having the power to direct the affairs of an entity by reason of: (i) having the power to elect or appoint, through ownership, membership, or otherwise, either directly or indirectly, fifty percent (50%) or more of the governing body of the entity; (ii) owning or controlling the right to vote fifty percent (50%) or more of the shares of voting stock or other voting interest of the entity; or (iii) having the right to direct the general management of the affairs of the entity by contract or otherwise.

1.11. "Deposit Account" shall have the meaning given to such term in the General Security Agreement.

1.12. "Environment" shall mean any water or water vapor, any land surface or subsurface, air, fish, wildlife, biota and all other natural resources.

1.13. "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto

1.14. "Equipment" shall have the meaning given to such term in the General Security Agreement.

1.15. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.16. "Events of Default" shall have the meaning given to such term in Article 11 of this Agreement.

1.17. "Fiscal Year" shall mean a year of 365 or 366 days, as the case may be, ending on last day of December of any calendar year.

1.18. "Funded Debt" of any Person shall mean, without duplication, all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services as of such date (other than accrued expenses, and trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices) or which is evidenced by a note, bond, debenture or similar instrument.

1.19. "GAAP" shall mean generally accepted accounting principles consistently applied and maintained throughout the period indicated and consistent with the prior financial practice of the Borrowers, except for changes mandated or permitted to be adopted by the Financial Accounting Standards Board or any similar accounting authority of comparable standing. Whenever any accounting term is used herein which is not otherwise defined, it shall be interpreted in accordance with GAAP.

1.20. "General Security Agreement" shall mean the General Security Agreement substantially in the form attached hereto as Exhibit A, dated the date hereof and executed and delivered by Borrowers to Lender, as the same may be amended, modified or supplemented from time to time.

1.21. "Governmental Rules" shall have the meaning given to such term in Section 4.23 of this Agreement.

1.22. "Hazardous Substances" shall mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the Environment when improperly used, treated, disposed of, generated, manufactured, transported or otherwise handled, and includes, without limitation, any and all hazardous or toxic substances or materials, as defined or listed under any of the Environmental Laws, and petroleum and its byproducts.

1.23. "Indebtedness" shall mean and include all obligations for borrowed money of any kind or nature, including Funded Debt, contingent obligations under guaranties or letters of credit and all obligations for the acquisition of any fixed asset, including capitalized leases or improvements which are payable over a period longer than one year, regardless of the term thereof or the Person or Persons to whom the same is payable, and the Obligations.

1.24. "Inventory" shall have the meaning given to such term in the UCC.

1.25. "Knowledge of the Borrowers" shall mean the knowledge of any officer or executive of the Borrowers.

1.26. "Lender" shall have the meaning given to such term in the opening paragraph of this Agreement.

1.27. "Lien" shall mean any deed of trust, mortgage, pledge, hypothecation, assignment, deposit or preferential arrangement, encumbrance, lien (statutory or other) or other security agreement or security interest of any kind or nature whatsoever, including any conditional sale or other title retention agreement and any capital or financing lease having substantially the same economic effect as any of the foregoing. For the avoidance of doubt, a license of intellectual property shall not be deemed a "Lien" hereunder.

1.28. "Loan Documents" shall have the meaning given to such term in Section 9 of this Agreement.

1.29. "Loan" shall mean the loan made by Lender under this Agreement.

1.30. "Material Adverse Effect" shall mean any material adverse effect on (i) the business, assets, operations or financial condition, of the Borrowers (taken as a whole), (ii) the ability of the Borrowers (taken as a whole) to pay or perform the Obligations in accordance with their terms, (iii) the value, collectability or salability of the Collateral taken as a whole or the perfection or priority of Lender's Liens on the Collateral, (iv) the validity or enforceability of this Agreement or any of the Loan Documents or (v) the practical realization of the benefits, rights and remedies inuring to Lender under this Agreement and the other Loan Documents.

1.31. "Note" shall mean the Promissory Note substantially in the form attached hereto as Exhibit B, dated the date hereof and executed and delivered by the Borrowers to Lender, as the same may be amended, modified or supplemented from time to time.

1.32. "Obligations" shall mean and include all loans (including the Loan), advances, debts, liabilities, obligations, covenants and duties owing by the Borrowers to Lender of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, under or in connection with this Agreement or any other Loan Documents, whether direct or indirect, absolute or contingent, due or to become due, now due or hereafter arising and howsoever acquired including, without limitation, all interest, charges, expenses, fees, reasonable out of pocket attorney's fees and expenses and any other sum chargeable to the Borrowers under this Agreement or the other Loan Documents.

1.33. "Origination Fee" shall mean twenty thousand dollars (\$20,000).

1.34. "Person" shall mean an individual, partnership, limited liability company, limited liability partnership, corporation, joint venture, joint stock company, land trust, business trust or unincorporated organization, or a government or agency or political subdivision thereof.

1.35. "Plan" shall mean an employee benefit plan or other plan now or hereafter maintained for employees of the Borrowers or any subsidiary of the Borrowers and covered by Title IV of ERISA, other than any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA).

1.36. "Prepayment Fee" shall mean an amount equal to the present values (using a 5% discount rate) of prospective payments of interest which, without the full or partial prepayment of the Loan, could otherwise have been received by the Lender over the remaining contractual life of the Note.

1.37. "Proceeds" shall have the meaning given to such term in the UCC.

1.38. "Property" shall have the meaning given to such term in the General Security Agreement.

1.39. "Rate" shall have the meaning given to such term in Section 3.1 of this Agreement.

1.40. "Receivables" shall have the meaning given to the term "Accounts" in the General Security Agreement.

1.41. "Record" shall mean information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form. If Lender so specifies with respect to a particular type of Record, that type of Record shall be signed or otherwise Authenticated by the Borrowers.

1.42. "Securities Account" shall have the meaning given to such term in the UCC.

1.43. "Solvent" shall mean when used with respect to any Person, that such Person (i) owns property the fair value of which is greater than the amount required to pay all of such Person's Indebtedness (including contingent debts), (ii) owns property the present fair salable value of which is greater than the amount that will be required to pay the probable liabilities of such Person on its then existing Indebtedness as such become absolute and matured, (iii) is able to pay all of its Indebtedness as such Indebtedness matures and (iv) has capital sufficient to carry on its then existing business.

1.44. "Termination Date" shall have the meaning given to such term in Section 2.4 of this Agreement.

1.45. "UCC" means the Uniform Commercial Code as in effect from time to time.

2. THE LOAN.

2.1. Loan. Subject to the terms and conditions of this Agreement and relying upon the representations and warranties set forth in this Agreement, for so long as no Event of Default shall have occurred, Lender shall make a Loan to the Borrowers on their request in an aggregate amount not to exceed one million dollars (\$1,000,000). Subject to the limitations set forth in this Agreement, the Borrowers may repay Loan without any premium or penalty.

2.2. Manner of Borrowing. Provided that the Borrowers shall have satisfied all conditions precedent set forth in Article 9 of this Agreement, Lender shall make the Loan to the Borrowers in the full amount of the Loan in immediately available funds for credit to such account as LiveDeal specifies in writing to Lender.

2.3. Evidence of the Borrowers' Obligations. The Borrowers' obligation to pay the principal of, and interest on, the Loan made to the Borrowers shall be evidenced by the Note executed by the Borrowers and delivered to Lender. The Loan made under the Note and the status of all amounts evidenced by the Note as constituting a Loan shall be recorded by Lender on its books and records or, at its option in any instance, endorsed on a schedule to the Note and the unpaid principal balance and status so recorded or endorsed by Lender shall be prima facie evidence in any court or other proceeding brought to enforce the Note of the principal amount remaining unpaid thereon and the status of the Loan evidenced thereby; provided that the failure of Lender to record any of the foregoing shall not limit or otherwise affect the obligation of the Borrowers to repay the principal amount of the Note together with accrued interest thereon. Prior to any negotiation of the Note, Lender shall record on a schedule thereto the status of all amounts evidenced thereby as constituting a Loan under the Note.

2.4. Term of the Agreement; Extension; Payment on Termination Date. The Agreement shall be for a term (the "Term") commencing on the date hereof and ending on the earliest to occur of (i) 364 days from the date hereof, (ii) the date, if any, on which Lender terminates this Agreement pursuant to Section 11 of this Agreement and (iii) the date, if any, ten (10) days after any Borrower provides notice to Lender terminating this Agreement; provided, however, such term may be extended for additional period of months upon the mutual agreement (in each party's sole and absolute discretion) in writing by all parties (the "Termination Date"). Notwithstanding anything herein to the contrary, the Obligations shall be due and payable in full on the Termination Date.

2.5. Security. All Obligations of the Borrowers hereunder and under the Loan Documents, including, without limitation, the Borrowers' obligation to make payments of principal and interest on the Note, shall be secured by Liens on the Collateral, as more specifically described in the Loan Documents.

2.6. Substitution and Addition to Collateral. If the Lender has first consented thereto (which consent shall be in Lender's sole and absolute discretion) in an Authenticated Record, from time to time the Borrowers may substitute, add and obtain the release of certain Collateral securing the Obligations. At the time of making any request for Lender's consent, the Borrowers shall satisfy the conditions precedent in Article 9 of this Agreement with respect to any substituted or added Collateral.

3. **PAYMENTS.**

3.1. **Interest Payments.** During the Term, the Borrowers shall pay interest monthly, in arrears, on the first day of each calendar month, or if such day is not a Business day, the next succeeding Business Day, commencing June 1, 2011, on the unpaid principal amount of the Loan outstanding during the previous calendar month at the rate equal to eighteen percent (18%) per annum (the "Rate"). Any accrued interest remaining past due for thirty (30) days or more shall be added to and become part of the unpaid principal balance and shall bear interest at the rates specified in this Agreement. In no event shall any interest to be paid under this Agreement or under any Loan Document exceed the maximum rate permitted by law.

3.2. **Principal Payments.** Commencing November 1, 2011, and on the first day of each subsequent calendar month, Borrowers shall make monthly installment payments of principal on the Loan in the amount of fifty thousand dollars (\$50,000) per month. The balance of principal of the Loan and all accrued and unpaid interest shall be due and payable on the Termination Date.

3.3. **Prepayment and Prepayment Fee.** The unpaid principal amount of the Loan may not be prepaid, in full or in part, without the consent of Lender during the first six (6) months of the Term. From and after November 1, 2011, upon the payment to Lender of the Prepayment Fee, any Borrower may (in its sole discretion) prepay all or any portion of the unpaid principal amount of the Loan prior to the Termination Date.

3.4. **Computation of Interest and Fees.** All interest and fees under this Agreement shall be computed on the basis of a year consisting of three hundred sixty (360) days for the number of days actually elapsed.

3.5. **Manner of Payments.** All payments with respect to the Obligations shall be made by Borrowers to Lender at 11144 Mockingbird Dr., Omaha, NE 68137, Attn: Vinod Gupta, without any defense, offset or counterclaim of any kind. Whenever any payment to be made shall otherwise be due on a day that is not a Banking Day, such payment shall be made on the next succeeding Banking Day and such extension of time shall be included in computing interest in connection with any such payment.

3.6. **Default Fees.** Upon the occurrence of an Event of Default, including failure to pay upon final maturity, in addition to any other payments due and payable with respect to the Obligations under this Agreement, Borrowers shall pay to Lender an additional charge of twenty thousand dollars (\$20,000) or the highest additional charge permitted by law, whichever is less, in cash. Collection of such late payment fee shall not be deemed a waiver of Lender's right to declare a default hereunder.

3.7. **APPLICATION OF PROCEEDS.** The proceeds of the Loan shall be used solely by the Borrowers to fund working capital needs of any Borrower and for general corporate purposes of any Borrower.

4. **REPRESENTATIONS AND WARRANTIES.** In order to induce Lender to make the Loan, the Borrowers, jointly and severally, make the following representations and warranties to Lender:

4.1. Organization; Power and Qualifications. Each of LiveDeal, Local, Telco Canada, Velocity and Telco is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. 247 is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Nevada. LiveDeal California is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Each Borrower has all requisite corporate or company power to own its respective properties and conduct its respective business as now conducted. Each Borrower is qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect.

4.2. Name and Address. Except as set forth on Schedule 4.2 attached hereto, during the preceding five (5) years, no Borrower has been known by any other corporate, limited liability company or fictitious name. Each Borrower's principal office on the date hereof is at the address set forth in Section 14.3 of this Agreement.

4.3. Capitalization. On the date hereof, all of the issued Capital Interests of each of Local, Velocity, 247, Telco, Telco Canada and LiveDeal California are issued to and owned by LiveDeal. LiveDeal has no Subsidiaries other than the other Borrowers. With the exception of the Subsidiaries of LiveDeal noted in the first sentence of this Section 4.3, no Borrower has any Subsidiaries as of the date hereof.

4.4. Legally Enforceable Agreement. The execution, delivery and performance of this Agreement, each and all of the other Loan Documents and each and all other instruments and documents to be delivered by the Borrowers pursuant to this Agreement and the creation of all Liens are within the Borrowers' corporate or limited liability company power, have been duly authorized by all necessary or proper action, are not in contravention of any agreement or indenture to which any Borrower, as applicable, is a party or by which it is bound, or of the articles of incorporation, bylaws, certificate of organization, operating agreement, or other organizational document, as the case may be, of any Borrower, are not in contravention of any provision of law and the same do not require the consent or approval of any governmental body, agency, authority or any other Person which has not been obtained and a copy thereof furnished to Lender. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, legal, valid and binding obligations of each Borrower party thereto, enforceable against each such Borrower in accordance with their respective terms, except as the enforceability thereof may be limited by (i) applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or similar laws in effect which affect the enforcement of creditors' rights generally or (ii) general principles of equity, whether considered in a proceeding at law or in equity.

4.5. Solvent Financial Condition. On a combined basis, Borrowers are Solvent.

4.6. Financial Statements. The audited financial statements of Borrowers for the periods ending December 31, 2010 and December 31, 2009, respectively, and the internally prepared, unaudited, financial statements of Borrowers dated as of January 31, 2011, February 28, 2011 and March 31, 2011, fairly present, in all material respects, the financial condition and results of operations for the periods covered thereby. There has been no Material Adverse Effect since December 31, 2010. Borrowers acknowledge and agree that Lender is relying on such financial statements in making the Loan. Borrowers have no contingent liabilities (including liabilities for taxes) and no unrealized or unanticipated losses from any unfavorable commitments, in each case which were required to be disclosed in such financial statements in accordance with GAAP but which were not disclosed.

4.7. Joint Ventures. Except as set forth on Schedule 4.7 attached hereto, no Borrower is engaged in a joint venture or partnership with any other Person (other than another Borrower) as of the date hereof.

4.8. Real Estate. Attached hereto as Schedule 4.8 is a list showing all real estate owned and/or leased by each Borrower, and if leased, the correct name of the parties to such lease and the date of such lease.

4.9. Patents, Trademarks, Copyrights and Licenses. Each Borrower owns or possesses all the patents, trademarks, service marks, trade names, copyrights and licenses necessary for the present conduct of its business and, to the Borrower's Knowledge, without any conflict with the rights of others.

4.10. Existing Business Relationship. There exists no actual or threatened termination, cancellation or limitation of, or any adverse modification or change in, the business relationship of any Borrower with any supplier, customer or group of customers which, individually or in the aggregate, would have a Material Adverse Effect.

4.11. Investment Company Act; Federal Reserve Board Regulations. No Borrower is required to be registered as an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (15 U.S.C. §§80(a)(1), et seq.). No Borrower owns any margin security as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System and the proceeds of the Loan made pursuant to this Agreement will be used only for the purposes contemplated under this Agreement. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might constitute any of the Loan under this Agreement as "purpose credit" within the meaning of said Regulation U or Regulations T or X of the Federal Reserve Board. No Borrower will take, or authorize any agent acting on its behalf to take, any action which might cause this Agreement or any document or instrument delivered pursuant hereto to violate any regulation of the Federal Reserve Board.

4.12. Tax Returns. Each Borrower has filed all tax returns (federal, state or local) required to be filed and paid all taxes shown thereon to be due including interest and penalties, except to the extent such taxes are being contested in good faith, or has provided adequate reserves therefor. To the Knowledge of the Borrowers, no assessments have been made against any Borrower by any taxing authority nor has any penalty or deficiency been made by any such authority. To the Knowledge of the Borrowers, no federal income tax return of any Borrower is being examined on the date hereof by the Internal Revenue Service nor are the results of any prior examination by the Internal Revenue Service or any state or local tax authority being contested on the date hereof by any Borrower.

4.13. Litigation. Except as set forth on Schedule 4.13, no action or proceeding is now pending or threatened in writing against any Borrower, at law, in equity or otherwise, before any court, board, commission, agency or instrumentality of the federal or state government or of any municipal government or any agency or subdivision thereof, or before any arbitrator or panel of arbitrators, which, in any case, would, individually or in the aggregate, have a Material Adverse Effect and neither no Borrower has accepted liability for any such action or proceeding. There is no proceeding pending before any governmental agency (federal, state or local) and, to the Knowledge of the Borrowers, no investigation has been commenced before any such governmental agency the effect of which, if adversely decided, would, individually or in the aggregate, have a Material Adverse Effect.

4.14. Receivables Locations. Attached hereto as Schedule 4.14 is a list showing all places at which each Borrower maintains records relating to Receivables on the date hereof.

4.15. Inventory Locations. Attached hereto as Schedule 4.15 is a list showing all places at which each Borrower maintains Inventory on the date hereof. Such list indicates whether the premises are owned or leased by each Borrower or whether the premises are the premises of a warehouseman or other third party, and if owned by a third party, the name and address of such third party.

4.16. Equipment Locations. Attached hereto as Schedule 4.16 is a list showing all places at which each Borrower's Equipment is located on the date hereof. Such list indicates whether the premises are owned or leased by each Borrower or whether the premises are the premises of a warehouseman or other third party, and if owned by a third party, the name and address of such third party.

4.17. Title/Liens. The Borrowers have good and valid title to the Collateral. There are no existing Liens on any Collateral, except for Liens permitted by Section 8.5 of this Agreement.

4.18. Existing Indebtedness. No Borrower has existing Indebtedness, except for Indebtedness set forth in Schedule 4.18 or permitted by Section 8.1 of this Agreement.

4.19. ERISA Matters. No Borrower sponsors any Plan. Except as would not have a Material Adverse Effect, no Borrower has an obligation to contribute to a multiemployer plan (as defined in Section 4001(a)(3) of ERISA).

4.20. O.S.H.A. Each Borrower has duly complied with, and its facilities, business, leaseholds, Equipment and other Property are in compliance in all respects with, the provisions of the Occupational Safety and Health Act and all rules and regulations thereunder and all similar state and local Governmental Rules, except for any failure to comply which would not have a Material Adverse Effect. There are no outstanding citations, notices or orders of non-compliance issued to any Borrower or relating to its facilities, business, leaseholds, Equipment or other Property under any such Governmental Rules, which would, individually or in the aggregate, have a Material Adverse Effect.

4.21. Labor Disputes. There are no pending or threatened labor disputes which could have a Material Adverse Effect.

4.22. Location of Bank and Securities Accounts. Attached hereto as Schedule 4.22 is a complete and accurate list of all deposit, checking and other bank accounts (including Deposit Accounts), all securities and other accounts maintained with any broker dealer (including Securities Accounts) and all other similar accounts maintained by each Borrower on the date hereof, together with a description thereof. Each of the accounts set forth on Schedule 4.22 to this Agreement is maintained with the corresponding financial institution indicated on Schedule 4.22.

4.23. Compliance With Laws. Each Borrower is in compliance with all federal, state and local governmental rules, ordinances and regulations ("Governmental Rules") applicable to its ownership or use of properties or the conduct of its business except where the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect.

4.24. No Other Violations. No Borrower is in violation of any term of its certificate of organization, operating agreement or other organizational document or agreement and no event or condition has occurred or is continuing which constitutes or results in (or would constitute or result in, with the giving of notice, lapse of time or other condition) a breach of, or a default under, any agreement, undertaking or instrument to which any Borrower is a party or by which any Borrower or any Collateral may be affected, or the imposition of any Lien on any Collateral in each case, which would have a Material Adverse Effect.

4.25. Hazardous Substances. There has not been, during the period of ownership of the Collateral by the Borrowers, nor is there now, any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substances by any Person on, under or about any Collateral which would, individually or in the aggregate, have a Material Adverse Effect. The Borrowers have no Knowledge of, or reason to believe, that there has been (i) a breach or violation of any Environmental Laws with respect to any of the Collateral or with respect to any Borrower, which would, individually or in the aggregate, have a Material Adverse Effect, (ii) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substances by any prior owner under or about any Collateral which would, individually or in the aggregate, have a Material Adverse Effect or (iii) any actual or threatened litigation, claim, assessment or administrative proceeding of any nature relating to such matters

4.26. Survival of Representations and Warranties. The representations and warranties of each such Borrower contained in this Agreement or in any other Loan Document shall be true in all material respects at the time of each Borrower's execution of this Agreement and the other Loan Documents, and Lender's right to exercise any remedy under this Agreement based upon the breach of such representation or warranty shall survive the execution, delivery and acceptance hereof by Lender and the closing of the transactions described herein or related hereto until the Obligations are finally and irrevocably paid in full.

5. FINANCIAL STATEMENTS AND INFORMATION; CERTAIN NOTICES TO LENDER. So long as the Borrowers shall have any Obligations to Lender under this Agreement, the Borrowers shall deliver to Lender, or shall cause to be delivered to Lender:

5.1. Annual Financial Statements. Within one hundred (100) days after the close of each Fiscal Year of Borrowers beginning with the Fiscal Year ending on the last day of the preceding Fiscal Year, a complete copy of Borrowers' combined audited financial statements, prepared in accordance with GAAP, consisting of a balance sheet, statement of income, statement of stockholders' equity, statement of cash flow, and financial statement footnotes related thereto.

5.2. Monthly Financial Statements and Projections. Within fifteen (15) business days after the end of the month for the months commencing with the first full calendar month after the date hereof, a complete copy of internally prepared, unaudited combined financial statements of the Borrowers, prepared in accordance with GAAP, consisting of a balance sheet, statement of income, statement of stockholders' equity, statement of cash flows, capital expenditures, and financial statement footnotes related thereto. Such monthly financial statements shall also include an updated projection of Borrowers' capital projects and expenditures with detail reasonably acceptable to Lender.

5.3. Board of Directors Meetings. Borrowers will provide Lender prompt notice of all meetings of the boards of directors of any Borrower and Lender's designate representative shall have the right to observe such meetings solely in a non-voting, non-contributing capacity. Notwithstanding anything contained herein to the contrary, the board may, upon reasonable determination that the matters to be discussed are of a sensitive nature or subject to confidentiality provisions, exclude Lender from all or part of the meeting relating to such matter. If a board excludes Lender from observing a meeting, or part thereof, Borrower will provide a reasonably detailed summary including matters considered and actions undertaken but excluding confidential information.

5.4. Tax Returns. Within ten (10) days of filing, complete copies of each Borrower's federal and state income tax returns.

5.5. Insurance. Annually, within thirty (30) days of the renewal date of any insurance policy, evidence of insurance in form and content approved by Lender, which approval shall not be unreasonably withheld, and otherwise in compliance with Section 7.6 of this Agreement, together with a copy of the original insurance policy.

5.6. Notice of Events of Default and Adverse Business Developments. Promptly after becoming aware of the existence of an Event of Default or an adverse business development including, without limitation, the following:

- (i) any dispute that may arise between any Borrower and any governmental regulatory body or law enforcement authority, including any action relating to any tax liability of any Borrower, if any, which if adversely determined, would have, individually or in the aggregate, a Material Adverse Effect;
- (ii) any labor controversy resulting in or threatening to result in a strike or work stoppage against any Borrower;
- (iii) the maintenance of any portion of the Collateral with a value in excess of \$10,000 at any place other than at Borrower's place of business or as permitted under this Agreement;
- (iv) any actual change of any Borrower's name, state of organization, or
- (v) can reasonably be expected to result in a Material Adverse Effect,

in each case, the appropriate Borrower will provide Lender with telephonic notice followed by notice in a Record specifying and describing the nature of such Event of Default or development, and the anticipated effect.

5.7. Other Information. Such other information respecting the financial condition of any Borrower or any Collateral, as Lender may from time to time reasonably request.

6. ACCOUNTING. Lender may account monthly to the Borrowers with respect to the amounts due in connection with the Loan. Each and every account shall be deemed final, binding and conclusive upon the Borrowers in all respects, as to all matters reflected therein, unless any Borrower, within fifteen (15) days after the date the account was rendered to the Borrowers, delivers to Lender notice in a Record of any objections which such Borrower may have to any such account and in that event only those items expressly objected to in such notice shall be deemed to be disputed by such Borrower. If any Borrower disputes the correctness of any statement, such Borrower's notice shall specify in detail the particulars of its basis for contending that such statement is incorrect.

7. AFFIRMATIVE COVENANTS. So long as any Borrower shall have any Obligations to Lender under this Agreement and unless Lender has first consented thereto in an Authenticated Record, each such Borrower shall:

7.1. Business and Existence. Preserve and maintain its separate existence and rights, privileges and franchises, except where the failure to so maintain and preserve would not reasonably be expected to have a Material Adverse Effect.

7.2. Trade Names. Transact business in its own name and invoice all of its Receivables in its own name unless it shall have provided thirty (30) days prior notice in writing to Lender of the use of a new or additional name; provided that each Borrower may transact business in the name of "LiveDeal", "Velocity", "Local Marketing Experts", and "Telco Billing".

7.3. Transactions with Affiliates. Except as set forth on Schedule 7.3, it shall not engage in transactions with any Affiliates except in the ordinary course of business or on an arms-length basis.

7.4. Taxes. Pay and discharge all taxes, assessments, government charges and levies imposed upon it, its income or its profits or upon any Collateral prior to the date on which penalties attach thereto, except where the same may be contested in good faith by appropriate proceedings, if necessary, being diligently conducted, or appropriate reserves therefore have been established. Such Borrower will pay all costs to be paid on taxes, assessments or governmental charges levied, assessed, imposed or payable upon or with respect to the Collateral or any part thereof except where the same may be contested in good faith, by appropriate proceedings, if necessary, being diligently conducted or appropriate reserves therefore have been established.

7.5. Compliance with Laws. Comply with all Governmental Rules applicable to it including, without limitation, all laws and regulations regarding the collection, payment and deposit of employees' income, unemployment and social security taxes, except where the failure to comply would have, individually or in the aggregate, a Material Adverse Effect.

7.6. Maintain Properties; Insurance. Safeguard, preserve and protect all Collateral and keep all Collateral insured with insurance companies licensed to do business in the states where the Collateral is located against loss or damage, in such amounts and of such types usually carried on similar property by similar companies. Such Borrower shall deliver complete, certified to be true copies of each insurance policy or policies or certificates of insurance to Lender containing endorsements in form satisfactory to Lender naming Lender as loss payee or additional insured, as appropriate, with reference to the foregoing hazard insurance insuring the Collateral and providing that the insurance shall not be canceled, amended or terminated except upon thirty (30) days' prior written notice to Lender. Such Borrower shall promptly notify Lender of any event or occurrence causing a material loss or a material decline in the value of Collateral or the existence of an event justifying a material claim under any insurance and the estimated amount thereof.

7.7. Business Records. Keep adequate records and books of account with respect to its business activities in which proper entries are made in accordance with sound bookkeeping practices reflecting all of its financial transactions.

7.8. Litigation. Give Lender prompt notice of any suit at law or in equity against it involving money or property, except where the uninsured portion of such claim would be less than \$25,000.

7.9. Damage or Destruction of Inventory. Maintain or cause to be maintained in good condition (ordinary wear and tear and any casualty or condemnation excepted) and preserve the Inventory from material loss, damage or destruction of any nature whatsoever and provide Lender with prompt notice in a Record of any material destruction or material damage to any Inventory and of the occurrence of any condition or event which has caused, or may cause a material loss or depreciation in the value of the Inventory.

7.10. Access to Books and Records. Subject to Section 13.18, provide Lender with such reports and with access, upon reasonable advance notice and during its normal business hours, to its books and records and permit Lender to copy and inspect such reports and books and records all as Lender deems necessary or desirable to enable Lender to monitor the credit facilities extended hereby. Upon reasonable advance notice, Lender may examine and inspect the Inventory, Equipment or other Collateral and may examine, inspect and copy all books and records with respect thereto at any time during its normal business hours. Such Borrower shall maintain records respecting Inventory, including a perpetual inventory, and all other Collateral at all times that are full, accurate and complete in all material respects. Borrowers shall be entitled to have an officer of any Borrower present during any such inspection.

7.11. Solvent. On a combined basis with all other Borrowers, continue to be Solvent.

7.12. Compliance With Environmental Laws. Comply with all applicable Environmental Laws, except where the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect.

7.13. Compliance with ERISA and other Employment Laws. Comply with all applicable provisions of ERISA and the Code, and any other applicable laws, rules or regulations relating to the compensation of employees and funding of employee pension plans, except where the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect.

7.14. Delivery of Documents. Notify Lender if any proceeds of Receivables shall include, or any of the Receivables shall be evidenced by, notes, trade acceptances or instruments or documents, or if any Inventory is covered by documents of title or chattel paper, whether or not negotiable, and if required by Lender, in order to perfect its security interest in and to such Collateral or, after the occurrence and during the continuance of an Event of Default and in connection with the exercise of the rights and remedies of Lender pursuant to the Loan Documents or applicable law, to realize the full value of such Collateral, promptly deliver them to Lender appropriately endorsed. Such Borrower waives protest regardless of the form of the endorsement. If such Borrower fails to endorse any instrument or document, Lender is authorized to endorse it on such Borrower's behalf.

7.15. Leases. Keep the leases set forth on Schedule 4.8 attached hereto in full force and effect (except as otherwise indicated on Schedule 4.8), including by way of extension of the term thereof, if necessary, and cure any default thereunder, except where the failure to keep such leases in full force and effect would not reasonably be expected to have a Material Adverse Effect.

7.16. Account Control Agreements. Within fifteen (15) days of the date of this Agreement, Borrowers shall cause the following financial institutions: Wells Fargo N.A., Citibank N.A. and Bank of Nevada, to each execute and deliver an account control agreement in favor of Lender with respect to each of Borrowers' deposit accounts identified in Schedule 4.22 to this Agreement, in form reasonably acceptable to Lender.

7.17. Additional Assurances. Make, execute and deliver to Lender such notes, deeds of trust, mortgages, security agreements, assignments, financing statements and other documents as Lender or its attorneys may reasonably request to evidence and secure the Obligations as contemplated by the Loan Documents.

8. NEGATIVE COVENANTS. So long as it shall have any Obligations to Lender under this Agreement and unless Lender has first consented thereto in an Authenticated Record, each such Borrower shall not:

8.1. Indebtedness. Create, incur, assume or suffer to exist, voluntarily or involuntarily, any Indebtedness, except (i) Obligations to Lender, (ii) trade debt incurred in the ordinary course of its business, (iii) purchase money financing and equipment leases for new equipment which do not exceed in the aggregate \$25,000 in any Fiscal Year, (iv) any Indebtedness of any Borrower existing on the date hereof and set forth on Schedule 4.18 and any renewals or refinancings of such Indebtedness, (v) debt incurred by Borrowers to simultaneously prepay in full all Indebtedness to Lender as permitted under this Agreement, and (vi) Indebtedness owing to a Person that is a Borrower.

8.2. Mergers; Consolidations; Acquisitions. Enter into any merger, consolidation, reorganization or recapitalization with any other Person, acquire all of the assets, or a material portion of the assets of any Person or acquire the stock of any Person, whether by merger, consolidation, purchase of stock or otherwise (each, an "Acquisition").

8.3. Sale or Transfer. Sell, transfer, lease, convey, any Collateral or grant any Person an option with respect thereto; provided, however, that the foregoing shall not prohibit (i) sales or leases of Inventory in the ordinary course of its business, (ii) sales of obsolete, worn out Collateral no longer used - or useful in the ordinary course of its business, (iii) the sale or disposition of cash equivalents in the ordinary course of business, (iv) dispositions of owned or leased vehicles in the ordinary course of business, (v) leases, subleases, licenses and sublicenses of real property in the ordinary course of business, (vi) exchanges or trade-ins of equipment or other assets in the ordinary course of business, (vii) sales or transfers from any Borrower to any other Borrower, and (viii) the license of intellectual property rights in the ordinary course of business.

8.4. Defaults. Permit the landlord of any premises leased by it or any Borrower, to declare a default under any lease with respect to such leased premises while its Inventory is stored at such leased premises, which default remains uncured after any stated cure period in such lease or for a period in excess of thirty (30) days from its occurrence, whichever is greater, unless such default is being contested by it in good faith (and by appropriate proceedings if such proceedings are required to make a good faith contest), and such good faith contest is being diligently conducted.

8.5. Limitations on Liens. Suffer any Lien encumber or grant any interest of any nature in, on any of its Collateral, except (each, a "Permitted Lien" and collectively, the "Permitted Liens") (i) purchase money Liens on new equipment securing not more than \$25,000 in the aggregate in any Fiscal Year, (ii) Liens for taxes, assessments and other governmental charges not yet due and payable or which are being contested in good faith and for which adequate reserves have been established, (iii) Liens of lessors, landlords, carriers, vendors, warehousemen, mechanics, laborers, repairmen, materialmen and the like incurred in the ordinary course of business for sums not yet due and payable or which are being contested in good faith and which, individually or in the aggregate, are not material, (iv) Liens incurred or deposits made in the ordinary course of business (1) in connection with workers' compensation, unemployment insurance and other types of social security or (2) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance bonds, purchase, construction or sales contracts and similar obligations, in each case to the extent not incurred or made in connection with the borrowing of money, which, individually or in the aggregate, are not material, (v) any attachment or judgment Lien that does not result in an Event of Default under Section 12, (vi) as to real property owned by it, leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges and encumbrances granted, entered into or created in the ordinary course of business and which do not, individually or in the aggregate, present a reasonable likelihood of a Material Adverse Effect, (vii) Liens in favor of Lender, (viii) Liens consisting of rights of set-off of a customary nature or bankers' liens on amounts on deposit, whether arising by contract or law, incurred in the ordinary course of business with respect to those depository accounts listed on Schedule 4.22, (ix) continuations of Liens that are permitted under subsections (i)-(ix) hereof.

8.6. Distributions. Make or declare any dividend or distribution in respect of any Capital Interests of Borrowers, or take any action which would have an effect equivalent to the foregoing, except a periodic dividends to LiveDeal, to the extent LiveDeal is the holder of the Capital Interests of the other Borrowers, limited in any particular year to the federal and state income tax liability of any direct or indirect holder of the Capital Interests of the Borrowers in respect of the taxable income of Borrowers, in the aggregate on a combined basis.

- 8.7. Fiscal Year.** Change its Fiscal Year, except on not less than thirty (30) days' prior written notice to Lender.
- 8.8. Removal of Collateral.** Remove, or cause or permit to be removed, any of the Collateral from the premises where such Collateral is currently located (and in the case of Receivables, Inventory and Equipment, from the premises set forth on Schedules 4.14, 4.15 and 4.16 of this Agreement, respectively), except on not less than thirty (30) days' prior written notice to Lender, except as set forth on Schedule 8.9 for sales of Inventory in the ordinary course of business, sales of obsolete, worn out Collateral no longer used in the ordinary course of business, and sales of Collateral permissible under Section 8.3 hereof.
- 8.9. Transfer of Notes or Accounts.** Sell, assign, transfer, discount or otherwise dispose of any Receivables or any promissory note or other instrument payable to it with or without recourse except in the ordinary course of business.
- 8.10. Change of Business.** Cause or permit a material change in the nature of its business as conducted on the date of this Agreement.
- 8.11. Change of Control.** Cause or permit a Change of Control.
- 8.12. Change of Accounting Practices.** Change its present accounting principles or practices in any material respect, except upon notice to Lender in a Record or as may be required or permitted by changes in GAAP.
- 8.13. Inconsistent Agreement.** Enter into any agreement containing any provision which would be violated by the performance of its Obligations or other obligations under this Agreement or any other Loan Document if the result thereof would, individually or in the aggregate, have a Material Adverse Effect.
- 8.14. Loans or Advances.** Make any loans or advances to any Person, other than (i) loans and advances to employees incurred in the ordinary course of business not in excess of \$5,000 in the aggregate at any one time outstanding and (ii) extensions of trade credit or similar advances to third parties in the ordinary course of business.
- 8.15. Investments.** Make any investment in any Person including, without limitation, in any Affiliates or form any Affiliates not existing on the date hereof, except (i) as permitted by this Agreement and (ii) investments in cash and cash equivalents, and, to the extent not included in the foregoing, the following: (1) direct obligations of the United States or any agency thereof; (2) commercial paper of a domestic issuer rated highest by one of the major rating agencies; and (3) stock, obligations and securities received in the settlement of debts created in the ordinary course of business not in excess of \$25,000 in the aggregate at any one time outstanding.
- 8.16. Bank and Securities Accounts; Deposits.** Establish any new deposit, checking, securities or other similar account (including Deposit Accounts and Securities Accounts), maintain any account other than those accounts specified on Schedule 4.22 to this Agreement, deposit Proceeds from the sale of Collateral in any account other than a Deposit Account specified on Schedule 4.22, permit the cash balance of the accounts set forth on Schedule 5.22 to exceed the corresponding balance limit indicated on Schedule 4.22 or permit anything other than the proceeds from lottery sales to be deposited in the account identified as Item 1 on Schedule 4.22.

9. **CONDITIONS PRECEDENT.** The obligation of Lender to make the Loan to the Borrowers is subject to satisfaction of the following conditions precedent:

(i) Each of the representations and warranties set forth in Article 4 of this Agreement and in the other Loan Documents shall be true and correct in all material respects as of such time, except to the extent the same expressly relate to an earlier date.

(ii) All necessary regulatory approvals or consents for the transactions contemplated hereby shall have been obtained and evidence thereof provided to Lender, any applicable waiting periods shall have expired and such approvals and consents shall remain in full force and effect.

(iii) No Material Adverse Effect shall have occurred since December 31, 2010, and no Event of Default shall exist hereunder as of such date.

(iv) Lender shall have received such other documents and materials as it may have reasonably requested.

(v) This Agreement and the Note shall have been duly executed and delivered by the Borrowers to the Lender.

(vi) The General Security Agreement, UCC-1 financing statements and fixture filings shall have been duly executed and delivered by the Borrowers, to the Lender. Said General Security Agreement, UCC-1 financing statements and fixture filings shall secure the Obligations and create first priority Liens on the Property and fixtures to the real property.

(vii) Borrowers' budget, capital projects and expenditures projection for Fiscal Year 2011 in form and content reasonably acceptable to Lender shall have been delivered to Lender.

(viii) [Intentionally omitted.]

(ix) LiveDeal and DatabaseLLC shall have executed and delivered that certain Customer List Agreement dated the date hereof.

(x) [Intentionally omitted.]

(xi) Certificates, dated the date hereof, of an authorized representative of each Borrower shall have been delivered to Lender which (1) attach a true and complete copy of each such Borrowers' certificate of incorporation, certificate of organization, bylaws, operating agreement, or other organizational documents, (2) attach a true and complete copy of the resolutions or consents of each such Borrower (in form and substance satisfactory to Lender) and of all documents evidencing all necessary limited liability company action taken by it to authorize this Agreement, the Loan Documents to which it is a party and the transactions contemplated thereby, (3) set forth the incumbency of each such Borrower's authorized representatives who may sign this Agreement and the Loan Documents, including therein a signature specimen of such authorized representative and (4) attach a certificate of good standing for each such Borrower.

(xii) A legal opinion, substantially in the form attached hereto as Exhibit C and dated the date hereof, shall have been duly executed and delivered by Borrowers' counsel to the Lender.

(xiii) The Borrowers shall have paid to Lender the Origination Fee and the costs, expenses and fees described in Section 13.7 of this Agreement.

(xiv) Such other certificates, approvals, opinions and documents as the Lender or the title company may reasonably require shall have been delivered to Lender.

All of the documents referred to above and all other documents to be delivered by the Borrowers to the Lender pursuant to this Agreement are collectively referred to as the "Loan Documents."

10. TERM. Unless sooner terminated by Lender pursuant to the terms of this Agreement, the period during which Loan shall be available shall be the period commencing on the date hereof and concluding on the Termination Date.

11. EVENTS OF DEFAULT.

11.1. Defaults. Upon the happening of any of the following events (individually an "Event of Default," collectively "Events of Default"):

(i) if the Borrowers shall fail to make any payment when due on any Obligation under this Agreement or any other Loan Document and such failure shall continue for a period of five (5) Banking Days; or

(ii) if the Borrowers shall fail to maintain the insurance required by Section 7.6 or Section 7.16 of this Agreement; or

(iii) if any Borrower shall fail to comply with any term, condition or covenant contained in this Agreement, other than the failure to maintain insurance in compliance with Section 7.6 of this Agreement, contained in this Agreement and such failure continues for a period in excess of fifteen (15) days after notice thereof is given by Lender to such Borrower; or

(iv) if any Borrower shall fail to comply with any term, condition or covenant contained in any Loan Document or other agreement between Lender and any Borrower and such failure continues for any applicable grace and/or notice period; or

(v) if Borrowers, on a combined basis, shall cease to be Solvent, make an assignment for the benefit of its creditors, call a meeting of its creditors to obtain any general financial accommodation, suspend business or if any case under any provision of the Bankruptcy Code, including provisions for reorganizations, shall be commenced by or against any Borrower (and if commenced against any Borrower, such case shall not have been discharged or dismissed within forty-five (45) days of its commencement) or if a receiver, trustee or equivalent officer shall be appointed for all or any of the properties of any Borrower; or

(vi) if any statement, representation or warranty contained in any Loan Document or made by any Borrower in connection with this Agreement or any Loan shall be false or misleading in any material respect when made; or

(vii) if any federal or state tax Lien in excess of \$5,000 is filed of record against any Borrower and is not bonded or discharged within sixty (60) days of filing, unless such Lien is being contested in good faith and, if necessary, by appropriate proceedings diligently conducted, or appropriate reserves therefore have been established and which, individually or in the aggregate, are not material; or

(viii) if a judgment shall be entered against any Borrower in any action or proceeding and shall not be stayed, vacated, bonded, appealed (with a bond posted), paid or discharged within thirty (30) days of entry, except a judgment where the uninsured portion of the claim together with the uninsured portion of all judgments which have not been stayed, vacated, bonded, paid or discharged within thirty (30) days of entry against all Borrowers is less than \$25,000 in the aggregate and the insurance companies have not disputed liability for the insured portion of such judgments in writing; or

(ix) if any obligation of any Borrower in respect of any Indebtedness in excess of \$25,000 in the aggregate (other than Indebtedness to Lender) shall be entitled to be declared, or shall become, due and payable prior to its stated maturity and shall not have been paid within the applicable time period; or

(x) upon the occurrence of a Change of Control.

Then, and in any such event, Lender may terminate this Agreement without prior notice or demand to any Borrower or may demand payment in full of all Obligations (whether otherwise then payable on demand or not) without terminating this Agreement and shall, in any event, be under no further responsibility to extend any credit or afford any financial accommodation to any Borrower, whether under this Agreement or otherwise.

11.2. Obligations Immediately Due. Upon the Termination Date, all of the Borrowers' Obligations to Lender including, but not limited to, the Loan shall immediately become due and payable without further notice or demand.

11.3. Continuation of Security. Notwithstanding any termination, until all Obligations of the Borrowers shall have been fully paid and satisfied, Lender shall retain all security in and title to all Collateral held by Lender under the Loan Documents.

12. REMEDIES OF LENDER. Upon the occurrence of any Event of Default or upon any termination of this Agreement, Lender shall have, in addition to all of its other rights under this Agreement, all of the rights and remedies provided in the Loan Documents.

13. GENERAL PROVISIONS.

13.1. Rights Cumulative. Lender's rights and remedies under this Agreement shall be cumulative and non-exclusive of any other rights or remedies which Lender may have under any other agreement or instrument, by operation of law or otherwise.

13.2. Successors and Assigns. This Agreement is entered into for the benefit of the parties hereto and their successors and assigns. It shall be binding upon and shall inure to the benefit of the parties, their successors and assigns. Lender shall have the right, without the necessity of any further consent or authorization by any Borrower, to sell, assign, securitize or grant participation in all, or a portion of, Lender's interest in the Loan, to other financial institutions of the Lender's choice and on such terms as are acceptable to Lender in its sole discretion.

13.3. Notice. Wherever this Agreement provides for notice to any party (except as expressly provided to the contrary), it shall be given by messenger, facsimile, certified U.S. mail with return receipt requested or nationally recognized overnight courier with receipt requested, and be effective when either received or receipt rejected by the party to whom addressed, and shall be addressed as follows, or to such other address as the party affected may hereafter designate:

If to Lender: Everest Group LLC
11144 Mockingbird Drive
Omaha, Nebraska 68137
Attn: Vinod Gupta
Tel: (402) 596-1000
Fax: (402) 505-7592
Email: vinodgupta1946@gmail.com

With a copy to: Fraser Stryker PC LLO
500 Energy Plaza
409 South 17th Street
Omaha, Nebraska 68102
Attn: Paul J. Halbur
Tel: (402) 341-6000
Fax: (402) 341-8290
Email: phalbur@fraserstryker.com

If to Borrowers: LiveDeal, Inc.
2490 East Sunset Road, Suite 100
Las Vegas, NV 89120
Attn: Kevin Hall
Tel: (702) 589-5319
Fax: (702) 939-0247
Email: khall@livedeal.com

With a copy to: Snell & Wilmer LLP
One Arizona Center
Phoenix, AZ 85004-2202
Attn: Dan Mahoney, Esq.
Tel: 602-382-6206
Fax: 602-382-6070
E-mail: dmahoney@swlaw.com

13.4. Strict Performance. The failure, at any time or times hereafter, to require strict performance by any Borrower of any provision of this Agreement shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Lender of any Default or Event of Default by the Borrowers under this Agreement or any other Loan Document shall not suspend, waive or affect any other Default or Event of Default by any Borrower under this Agreement or any other Loan Document, whether the same is prior or subsequent thereto and whether of the same or a different type.

13.5. Waiver. Each Borrower waives presentment, protest, notice of dishonor and notice of protest upon any instrument on which it may be liable to Lender as maker, endorser, guarantor or otherwise.

13.6. Construction of Agreement. The parties hereto agree that the terms and language of this Agreement were the result of negotiations between the parties, and, as a result, there shall be no presumption that any ambiguities in this Agreement shall be resolved against either party. Any controversy over the construction of this Agreement shall be decided mutually without regard to events of authorship or negotiation.

13.7. Expenses. Upon the making of the Loan under this Agreement, Borrower will pay Lender a maximum of \$20,000 in respect of legal counsel fees and all other out-of-pocket expenses in connection with the negotiation and execution of this Agreement and the Loan documents. If, at any time or times subsequent to the date hereof, regardless of whether or not an Event of Default then exists or any of the transactions contemplated under this Agreement are concluded, Lender engages outside (non-employee) counsel for advice or other representation, or incurs reasonable, out-of-pocket, documented legal expenses, or reasonable, out-of-pocket, documented consulting fees and expenses, or other reasonable costs or out-of-pocket expenses in connection with: (i) the negotiation and preparation of this Agreement or any other Loan Document, or any amendment of or modification of this Agreement or any other Loan Document; (ii) the administration of this Agreement or any of the other Loan Documents and the transactions contemplated hereby and thereby; (iii) periodic audits and appraisals performed by Lender (limited to two per Fiscal Year); (iv) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Lender, any Borrower or any other Person) in any way relating to the Collateral, this Agreement or any other Loan Document or any Borrower's affairs; (v) the perfection of any Lien on the Collateral; (vi) any attempt to enforce any rights or remedies of Lender against any Borrower or any other Person which may be obligated to Lender by virtue of this Agreement or any other Loan Document including, without limitation, an account debtor; or (vii) any attempt to inspect, verify, protect, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon the Collateral; then, in any such event, the reasonable out-of-pocket, documented attorneys' fees and expenses arising from such services and all reasonable out-of-pocket, documented expenses, costs, charges and other fees of such counsel of Lender or relating to any of the events or actions described in this Section 13.7 shall be payable by the Borrowers to Lender within ten (10) Banking Days of demand thereof, and to the extent not paid shall be additional Obligations under this Agreement secured by the Collateral. Lender, on or prior to the date hereof, and each of its assignees, on or prior to the date of such assignment (and from time to time thereafter upon the request of any Borrower), shall deliver to the Borrowers two duly completed copies of (x) Internal Revenue Service Form W-9, (y) Internal Revenue Service Form W-8BEN or (z) Internal Revenue Service Form W-8ECI, as applicable, or in each case an applicable successor form; (a "Tax Certificate"). If Lender or its assignees has timely delivered a Tax Certificate, if any taxes (excluding taxes imposed upon or measured by the net income of Lender, but including any intangibles tax, stamp tax or recording tax) shall be payable on account of the execution or delivery of this Agreement, or the execution, delivery, issuance or recording of any other Loan Document, or the creation of any of the Obligations under this Agreement, by reason of any existing or hereafter enacted federal or state statute, the Borrowers will pay (or will promptly reimburse Lender for the payment of) all such taxes including, but not limited to, any interest and penalties thereon attributable to Borrowers' actions or failure to act in connection therewith, and will indemnify, defend and hold Lender harmless from and against any liability arising from any of the foregoing. The Borrowers shall also reimburse Lender for all other reasonable expenses incurred by Lender in connection with the transactions contemplated under this Agreement and the other Loan Documents.

13.8. Reimbursements. With respect to any amount advanced by Lender and required to be reimbursed by the Borrowers pursuant to the provisions of Section 13.7 of this Agreement, it is hereby agreed that Lender may charge any such amount to any Borrower's account referred to in Section 2.3 of this Agreement on the dates such reimbursement is made. The Borrowers' obligations under Section 13.7 of this Agreement shall survive termination of the other provisions of this Agreement.

13.9. Waiver of Right to Jury Trial.

(i) The Borrowers and Lender recognize that in matters related to the Loan and this Agreement, and as it may be subsequently modified and/or amended, any such party may be entitled to a trial in which matters of fact are determined by a jury (as opposed to a trial in which such matters are determined by a federal or state judge). By execution of this Agreement, Lender and the Borrowers will give up their respective right to a trial by jury. The Borrowers and Lender each hereby expressly acknowledge that this waiver is entered into to avoid delays, minimize trial expenses and streamline the legal proceedings in order to accomplish a quick resolution of claims arising under or in connection with the Note and this Agreement.

(ii) WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, THE BORROWERS AND LENDER EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THAT THE BORROWERS OR LENDER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION, DIRECTLY OR INDIRECTLY, AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN, THIS AGREEMENT, OR ANY TRANSACTION CONTEMPLATED THEREBY OR HEREBY, BEFORE OR AFTER MATURITY.

(iii) CERTIFICATIONS. EACH BORROWER HEREBY CERTIFIES THAT NEITHER ANY REPRESENTATIVE NOR AGENT OF LENDER NOR LENDER'S COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. EACH BORROWER ACKNOWLEDGES THAT LENDER HAS BEEN INDUCED TO ENTER INTO THE TRANSACTION BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATION HEREIN.

13.10. Indemnification by Borrowers/Waiver of Claims. Each Borrower hereby covenants and agrees to indemnify, defend (with counsel selected by Lender) and hold harmless Lender and its officers, partners, employees, consultants and agents from and against any and all claims, damages, liabilities, costs and expenses (including, without limitation, the actual fees and expenses of counsel) which may be incurred by or asserted against Lender or any such other Person in connection with:

(i) any investigation, action or proceeding arising out of or relating to this Agreement, the Loan, any of the other Loan Documents, any other agreement relating to any of the Obligations, any of the Collateral or any act or omission relating to any of the foregoing, excluding, however, any loss, cost, damage, liability or expenses to the extent arising as a result of the gross negligence or willful misconduct of the party seeking to be indemnified under this Section 13.10(i); or

(ii) any taxes, liabilities, claims or damages relating to the Collateral or Lender's Liens thereon; or

(iii) any broker's commission, finder's fee or similar charge or fee other than those incurred by Lender or its Affiliates in connection with the Loan and the transactions contemplated in this Agreement.

13.11. Savings Clause for Indemnification. To the extent that the undertaking to indemnify, pay and hold harmless set forth in Section 13.10 of this Agreement may be unenforceable because it is violative of any law or public policy, the Borrowers shall contribute the maximum portion which they are permitted to pay and satisfy under applicable law to the payment and satisfaction of all matters referred to under Section 13.10 of this Agreement.

13.12. Waiver. To the extent permitted by applicable law, no claim may be made by any Borrower or any other Person against Lender or any of its affiliates, partners, officers, employees, agents, attorneys or consultants for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract, tort or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or the other Loan Documents or any act, omission or event occurring in connection therewith; and each Borrower hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor. Neither Lender nor any of its affiliates, partners, officers, employees, agents, attorneys or consultants shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the transactions contemplated hereby, except for its or their own gross negligence or willful misconduct.

13.13. Entire Agreement; Amendments; Lender's Consent. This Agreement (including the exhibits and schedules hereto) and the other Loan Documents supersede, with respect to their subject matter, all prior and contemporaneous agreements, understandings, inducements or conditions between the respective parties, whether express or implied, oral or written. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in a Record Authenticated by Lender and such Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13.14. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

13.15. Severability of Provisions. Any provision of this Agreement or any of the other Loan Documents that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or the other Loan Documents or affecting the validity or enforceability of such provision in any other jurisdiction.

13.16. Headings. The headings preceding the text of this Agreement are inserted solely for convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect.

13.17. Exhibits and Schedules. All of the exhibits and schedules to this Agreement are hereby incorporated by reference herein and made a part hereof.

13.18. Confidentiality. Lender agrees that it will not disclose without the prior consent of the Borrowers (other than on a need-to-know basis to its employees, its subsidiaries, an Affiliate of a Lender or to its auditors or counsel) any information with respect to any Borrower which is furnished pursuant to this Agreement or any of the other Loan Documents; provided that Lender may disclose any such information (a) as has become generally available to the public or has been lawfully obtained by Lender from any third party under no duty of confidentiality to any Borrower, (b) as may be required or appropriate in any report, statement or testimony submitted to, or in respect to any inquiry, by, any municipal, state or federal regulatory body having or claiming to have jurisdiction over Lender, (c) as may be required or appropriate in respect to any summons or subpoena or in connection with any litigation (provided that Lender shall use reasonable efforts to provide Borrower notice of such disclosure) and (d) in order to comply with any law, order, regulation, ruling or other requirement of law applicable to Lender.

14. GOVERNING LAW; CONSENT TO JURISDICTION.

(A) IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEVADA SHALL GOVERN THE VALIDITY AND THE ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE INDEBTEDNESS OR OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, LENDER AND EACH BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER, ANY BORROWER OR OTHER PARTY TO THIS TRANSACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE INSTITUTED IN THE SOLE OPTION OF LENDER IN ANY FEDERAL OR STATE COURT LOCATED IN NEBRASKA, AND LENDER AND EACH BORROWER WAIVE ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND LENDER AND EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. THE BORROWERS SHALL DESIGNATE FROM TIME TO TIME AN AUTHORIZED AGENT HAVING AN OFFICE IN THE STATE OF NEBRASKA TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING AND AGREE THAT SERVICE OF PROCESS UPON SUCH AGENT AT SUCH ADDRESS AND WRITTEN NOTICE OF SUCH SERVICE ON ANY BORROWER MAILED OR DELIVERED TO SUCH BORROWER IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON SUCH BORROWER IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEBRASKA. EACH BORROWER (I) SHALL GIVE PROMPT NOTICE TO LENDER OF ANY CHANGE OF ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (II) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT WITH AN OFFICE IN NEBRASKA (WHICH OFFICE SHALL BE DESIGNATED AS THE ADDRESS FOR SERVICE OF PROCESS) AND (III) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE IN NEBRASKA OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR. EACH BORROWER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS CONSENT TO JURISDICTION PROVISION WITH ITS LEGAL COUNSEL, AND HAS MADE THIS WAIVER KNOWINGLY AND VOLUNTARILY.

[signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their representatives thereunto duly authorized on the day and year first above written.

EVEREST GROUP LLC

By: /s/ Vinod Gupta
Name: Vinod Gupta
Title: Manager

LOCAL MARKETING EXPERTS, INC.

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President

247 MARKETING, LLC

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President

TELCO OF CANADA, INC.

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President

LIVEDEAL, INC., a Nevada corporation formerly known as YP Corp.

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President and Chief Executive Officer

VELOCITY MARKETING CONCEPTS, INC.

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President

TELCO BILLING, INC

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President

LIVEDEAL, INC., a California corporation

By: /s/ Kevin A. Hall
Name: Kevin A. Hall
Title: President

GENERAL SECURITY AGREEMENT

This GENERAL SECURITY AGREEMENT (this "Agreement") dated May 13, 2011 is executed and delivered by LiveDeal, Inc. a Nevada corporation, formerly known as YP Corp. ("LiveDeal"), Local Marketing Experts, Inc., a Nevada corporation ("Local"), Velocity Marketing Concepts, Inc., a Nevada corporation ("Velocity"), 247 Marketing, LLC a Nevada limited liability company ("247"), Telco Billing, Inc., a Nevada corporation ("Telco Billing"), Telco of Canada, Inc. a Nevada corporation ("Telco Canada") and LiveDeal, Inc. a California corporation ("LiveDeal California")(each of LiveDeal, Local, Velocity, 247, Telco Billing, Telco Canada and LiveDeal California are herein individually a "Debtor" and collectively the "Debtors"), in favor of Everest Group LLC ("Lender"), as lender under the Loan Agreement (as defined below).

WHEREAS, Debtors and Lender are parties to a Loan Agreement dated May 13, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Lender has agreed to extend a \$1,000,000 loan to Debtors pursuant to the terms and subject to the conditions set forth in the Loan Agreement;

WHEREAS, Lender desires to secure the obligations that will arise under the Loan Agreement and the transactions contemplated thereunder; and

WHEREAS, to induce Lender to extend such credit facility, Debtors desire to pledge, grant, transfer and assign to Lender, for its benefit, a security interest in certain collateral to secure such obligations, as provided herein.

NOW, THEREFORE, in consideration of the premises set forth above, which are incorporated herein by this reference, the terms and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and each intending to be bound hereby, Lender and Debtors agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement. As used in this Agreement, the following terms shall have the following definitions:

"Account" means any "account" (as that term is defined in the Code) and any and all supporting obligations in respect thereof.

"Additional Documents" has the meaning set forth in Section 2.4(iii) of this Agreement.

"Agreement" has the meaning set forth in the preamble to this Agreement.

"Code" means the Uniform Commercial Code as in effect from time to time in the State of Nevada.

"Collateral" means all of Debtors' now owned or hereafter acquired right, title and interest in and to each of the following: Accounts; Debtors' Books; Commercial Tort Claims; Deposit Accounts; Equipment; General Intangibles; Inventory; Investment Property (including all securities and Securities Accounts); Negotiable Collateral; any money or other assets (other than real property assets) of Debtor which now or hereafter come into the possession, custody or control of Lender; Property; the Proceeds thereof, whether tangible or intangible, including proceeds of insurance covering any and all Accounts, Debtors' Books, Deposit Accounts, Equipment, General Intangibles, Inventory, Investment Property, Negotiable Collateral, money or other tangible or intangible property resulting from the sale, exchange, collection or other disposition of any of the foregoing, or any portion thereof or interest therein; and the Proceeds thereof; provided, that in no event shall Collateral include any interest in real property.

"Collections" means all cash, checks, notes, instruments and other items of payment (including insurance proceeds, cash proceeds of asset sales, rental proceeds and tax refunds).

"Commercial Tort Claim" means any "commercial tort claim" (as that term is defined in the Code).

"Commercial Tort Claim Assignment" has the meaning set forth in Section 2.4(ii) of this Agreement.

"Control Agreement" means a control agreement, in form and substance satisfactory to Lender, executed and delivered by Debtors, Lender, for the benefit of itself, and the applicable (i) securities intermediary with respect to a Securities Account of Debtors or (ii) bank with respect to a Deposit Account of Debtors.

"Controlling Person" has the meaning set forth in Section 8.3 of this Agreement.

"Debtor" and "Debtors" has the meaning set forth in the preamble to this Agreement.

"Debtors' Books" means Debtors' now owned or hereafter acquired books and records (including all of its Records indicating, summarizing or evidencing its assets (including the Collateral) or liabilities, all of its Records relating to its business operations or financial condition and all of its goods or General Intangibles related to such information).

"Deposit Account" means any "deposit account" (as that term is defined in the Code).

"Equipment" means "equipment" (as that term is defined in the Code) and includes machinery, machine tools, motors, movie projection and other movie equipment, furniture, furnishings, fixtures, vehicles (including motor vehicles), tools, parts, goods (other than consumer goods, farm products or Inventory), wherever located, including all attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing.

"Lender" has the meaning set forth in the preamble to this Agreement.

"Lender's Liens" means the Liens granted by Debtors to Lender under this Agreement, the Loan Agreement or any other Loan Document to which a Debtor is a party.

"Loan Agreement" has the meaning set forth in the preamble to this Agreement.

"General Intangibles" means "general intangibles" (as that term is defined in the Code), including limited liability company interests, payments intangibles, contract rights, rights to payment, rights arising under common law, statutes or regulations, choses or things in action, goodwill, patents, trade names, trade secrets, trademarks, servicemarks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payments and other rights under any royalty or licensing agreements, infringement claims, computer programs, information contained on computer disks or tapes, software, literature, reports, catalogs, insurance premium rebates, tax refunds and tax refund claims, any and all supporting obligations in respect thereof and any other personal property other than Accounts, Deposit Accounts, goods, Investment Property and Negotiable Collateral.

"Governmental Authority" means any federal, state, local or other governmental or administrative body, instrumentality, department or agency or any court, tribunal, administrative hearing body, arbitration panel, commission or other similar dispute-resolving panel or body.

"Indemnified Liabilities" has the meaning set forth in Section 8.3 of this Agreement.

"Indemnified Person" has the meaning set forth in Section 8.3 of this Agreement.

"Inventory" means "inventory" (as that term is defined in the Code).

"Investment Property" means "investment property" (as that term is defined in the Code) and any and all supporting obligations in respect thereof.

"Material Adverse Effect" shall mean any material adverse effect on (i) the business, assets, operations or financial condition, of the Debtors (taken as a whole), (ii) the ability of the Debtors (taken as a whole) to pay or perform the Secured Obligations in accordance with their terms, (iii) the value, collectability or salability of the Collateral taken as a whole or the perfection or priority of Lender's Liens on the Collateral, (iv) the validity or enforceability of this Agreement or any of the Loan Documents or (v) the practical realization of the benefits, rights and remedies inuring to Lender under this Agreement and the other Loan Documents.

"Negotiable Collateral" means letters of credit, letter of credit rights, instruments, promissory notes, drafts, documents, chattel paper (including electronic chattel paper and tangible chattel paper) and any and all supporting obligations in respect thereof.

"Permitted Protest" means the right of Debtor to protest any taxes (other than payroll taxes or taxes that are the subject of a United States federal tax Lien); provided, that (i) a reserve with respect to such obligation is established on the books of Debtor in such amount as is required under GAAP, (ii) any such protest is instituted promptly and prosecuted diligently by Debtor in good faith and (iii) while any such protest is pending, there will be no impairment of the enforceability, validity or priority of any of Lender's Liens by the applicable taxing authority.

"Proceeds" means any "proceeds" (as that term is defined in the Code).

"Property" means any of Debtor's personal property, tangible or intangible, including cash and any of Debtors' legal or equitable interest in such property.

"Record" means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

"Secured Obligations" means, with respect to Debtor, all liabilities, obligations (including all Obligations) or undertakings owing by Debtors to Lender arising out of or outstanding under, advanced or issued pursuant to, or evidenced by, the Loan Agreement or any other Loan Document, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, voluntary or involuntary, whether now existing or hereafter arising, and including all interest, costs, indemnities, fees (including attorney's fees) and expenses (including interest, costs, indemnities, fees and expenses that, but for the provisions of United States bankruptcy laws, would have accrued irrespective of whether a claim therefor is allowed) and any and all other amounts which Debtor is required to pay pursuant to any of the foregoing, by law, or otherwise.

"Securities Account" means any "securities account" (as that term is defined in the Code).

"Secured Party" means Lender.

"Voidable Transfer" has the meaning set forth in Section 11.8 to this Agreement.

1.2 Code. Any terms used in this Agreement which are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.3 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, schedule and exhibit references are to this Agreement unless otherwise specified. Any reference in this Agreement or in the Loan Agreement or any of the other Loan Documents shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders and supplements set forth therein). In the event of a direct conflict between the terms and provisions of this Agreement and the Loan Agreement or any other Loan Document, it is the intention of the parties hereto that both such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of the Loan Agreement or the other Loan Documents shall control and govern; provided, however, that the inclusion herein of additional obligations on the part of Debtor and supplemental rights and remedies in favor of Lender, in each case in respect of the Collateral, shall not be deemed a conflict with the Loan Agreement or the other Loan Documents. Any reference herein to the payment in full of the Secured Obligations shall mean the payment in full in cash of all Secured Obligations other than contingent indemnification Secured Obligations. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein shall be satisfied by the transmission of a Record and any Record transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein.

1.4 Schedules and Exhibits. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. CREATION OF SECURITY INTEREST.

2.1 Grant of Security Interest. Debtors hereby grants to Lender, for its benefit, a continuing security interest in all of its right, title and interest in all currently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all of the Secured Obligations in accordance with the terms and conditions of the Loan Agreement and the other Loan Documents and in order to secure prompt performance by Debtor of Debtor's covenants and duties under the Loan Agreement and the other Loan Documents. Notwithstanding the foregoing, the Collateral shall not include (i) assets to which the granting or perfecting such security interest would violate any applicable law, (ii) any lease to the extent the grant of a security interest therein would result in an invalidation thereof or constitute a breach or violation of such agreement (other than any non-assignment of payment intangibles provisions that is unenforceable under the Uniform Commercial Code) and (iii) any assets that Lender and the Debtors agree in writing that the costs of obtaining a security interest is excessive in relation to the value of the security to be afforded thereby or obtaining such security interest is not commercially practical. Lender's Liens in and to the Collateral shall attach to all Collateral without further act on the part of Lender or Debtors. Anything contained in this Agreement to the contrary notwithstanding, except for dispositions permitted under the Loan Agreement, Debtors have no authority, express or implied, to dispose of any item or portion of the Collateral.

2.2 Negotiable Collateral. In the event that any Collateral, including Proceeds, is evidenced by or consists of Negotiable Collateral, and if and to the extent that perfection or priority of Lender's security interest is dependent on or enhanced by possession, Debtor, promptly upon the request of Lender, shall endorse and assign such Negotiable Collateral to Lender and deliver physical possession of such Negotiable Collateral to Lender.

2.3 Collection of Accounts, General Intangibles, Negotiable Collateral. At any time after the occurrence of an Event of Default, Lender or Lender's designee may (i) notify any Account Debtors that the Accounts, chattel paper or General Intangibles constituting Collateral have been assigned to Lender or that Lender has a security interest therein or (ii) collect the Accounts, chattel paper or General Intangibles constituting Collateral directly and charge the reasonable collection costs and expenses to the Debtors. Each Debtor agrees that after the occurrence of an Event of Default, it will hold in trust for Lender, as Lender's trustee, any Collections that it receives and promptly will deliver said Collections to Lender in their original form as received by such Debtor, together with any necessary endorsements thereto.

2.4 Filing of Financing Statements; Commercial Tort Claims; Delivery of Additional Documentation Required.

(i) Each Debtor shall file all financing statements necessary or desirable to effectuate the transactions contemplated by this Agreement, the Loan Agreement and the other Loan Documents, including any financing statement which describes the Collateral in an overbroad manner, such as "all assets of Debtor" or "all personal property of Debtor", and any continuation statement or amendment with respect thereto, in any appropriate filing office, and each Debtor hereby authorizes Lender, but in no event shall Lender be required, to make any such filings not made by such Debtor.

(ii) If any Debtor acquires any Commercial Tort Claims in excess of \$50,000 in the aggregate in any calendar year after the date hereof, such Debtor shall promptly (but in any event within 10 Banking Days after such acquisition) deliver to Lender a written description of such Commercial Tort Claim and shall deliver a written agreement, in form and substance satisfactory to Lender, pursuant to which such Debtor shall pledge and collaterally assign all of its right, title and interest in and to such Commercial Tort Claim to Lender, as security for the Secured Obligations (a "Commercial Tort Claim Assignment").

(iii) Each Debtor shall execute and deliver to Lender, any and all financing statements, original financing statements in lieu of continuation statements, fixture filings, security agreements, pledges, assignments, Commercial Tort Claim Assignments, endorsements of certificates of title and all other documents (collectively, the "Additional Documents") that are necessary to create, perfect and continue perfected or to better perfect Lender's Liens in the Collateral (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal), to create and perfect Liens in favor of Lender in any real property and in order to fully consummate all of the transactions contemplated hereby and under the Loan Agreement and other Loan Documents. Each Debtor, to the maximum extent permitted by applicable law, authorizes Lender to execute any such Additional Documents in Debtor's name and authorizes Lender to file such executed Additional Documents in any appropriate filing office if such Debtor refuses to, or fails timely to, execute and deliver any Additional Documents.

2.5 Power of Attorney. Subject to the terms of the Loan Agreement, each Debtor hereby irrevocably makes, constitutes and appoints Lender (and any of Lender's officers, employees or agents designated by Lender) as such Debtor's true and lawful attorney, with power to: (i) if such Debtor refuses to, or fails timely to, execute and deliver any of the documents described in Section 2.4, sign the name of Debtor on any of the documents described in Section 2.4; (ii) at any time after an Event of Default has occurred, sign such Debtor's name on any invoice or bill of lading relating to the Collateral, drafts against Account Debtors or notices to Account Debtors; (iii) send requests for verification of Accounts; (iv) endorse such Debtor's name on any Collection item constituting Collateral that may come into Lender's possession; (v) at any time after an Event of Default has occurred, make, settle and adjust all claims under such Debtor's policies of insurance and make all determinations and decisions with respect to such policies of insurance; and (vi) at any time after an Event of Default has occurred, settle and adjust disputes and claims respecting the Accounts, chattel paper or General Intangibles constituting Collateral directly with Account Debtors, for amounts and upon terms which Lender determines in its sole discretion to be reasonable, and Lender may cause to be executed and delivered any documents and releases which Lender determines to be necessary. The appointment of Lender as each Debtor's attorney, and each and every one of Lender's rights and powers, being coupled with an interest, is irrevocable until, and shall terminate when, all of the Secured Obligations have been paid in full.

2.6 Right to Inspect. Lender and its officers, employees or agents shall have the right, from time to time hereafter during normal business hours at mutually convenient times, or at any time following the occurrence of a Default or an Event of Default, to inspect each Debtor's Books and make copies or abstracts thereof and to check, test and appraise the Collateral, or any material portion thereof, in order to verify Debtor's financial condition or the amount, quality, value, condition of, or any other matter relating to, the Collateral.

2.7 Control Agreement. Each Debtor agrees that it will not transfer assets, including cash or Investment Property, out of any of its Deposit Accounts or Securities Accounts; provided, however, that so long as no Event of Default has occurred or would result therefrom, such Debtor may use such assets (and the Proceeds thereof) to the extent not prohibited by this Agreement, the Loan Agreement or the other Loan Documents. Debtor agrees that it will take any and all steps requested by Lender in order for Lender to obtain control in accordance with Sections 9-104, 9-105, 9-106 and 9-107 of the Code with respect to (i) any of its Securities Accounts, (ii) any of its Deposit Accounts and (iii) any electronic chattel paper, Investment Property and letter-of-credit rights; and in furtherance thereof, each Debtor shall deposit and maintain all cash, cash equivalents and Investment Property in one or more of the Securities Accounts or Deposit Accounts, as the case may be, set forth in Schedule 5.22 to the Loan Agreement. No arrangement contemplated hereby or by any Control Agreement in respect of any Securities Accounts or other Investment Property shall be modified by Debtor without the prior written consent of Lender. Subject to the terms of the Loan Agreement, upon the occurrence of an Event of Default, Lender may notify any bank or securities intermediary to liquidate the applicable Deposit Account or Securities Account or any related Investment Property maintained or held thereby and remit the proceeds thereof to Lender for application to the Secured Obligations.

3. REPRESENTATIONS AND WARRANTIES.

Each Debtor, jointly and severally, represents and warrants to Lender as set forth in this Section 3.

3.1 No Encumbrances. Each Debtor has good and marketable title to the Collateral as sole owner thereof, free and clear of Liens, except as permitted by Section 8.5 of the Loan Agreement.

3.2 Equipment. All of the Equipment of each Debtor used or held for use in its business is, to the extent necessary for the operation of its business, fit for such purposes in all material respects.

3.3 Location of Inventory and Equipment. Except as set forth on Schedules 4.15 and 4.16 to the Loan Agreement, the Inventory and Equipment of each Debtor is not stored with a bailee, warehouseman or similar party and is located only at, or in-transit between, the locations identified on such schedules.

3.4 State of Organization; Location of Chief Executive Office; Commercial Tort Claims.

(i) The jurisdiction of organization of each Debtor is Nevada.

(ii) The chief executive office of each Debtor is located at the address set forth in Section 13.3 to the Loan Agreement.

(iii) As of the date each Debtor became a party hereto, each Debtor did not hold any Commercial Tort Claims.

3.5 Due Organization and Qualification.

Each Debtor is a corporation or a limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of the State of Nevada and qualified to do business in any state where the failure to be so qualified would, individually or in the aggregate, have a Material Adverse Effect.

3.6 Due Authorization; No Conflict.

(i) The execution, delivery and performance by each Debtor of this Agreement, the Loan Agreement and the other Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Debtor.

(ii) The execution, delivery and performance by each Debtor of this Agreement, the Loan Agreement and the other Loan Documents to which it is a party do not and will not (a) violate any provision of federal, state or local law or regulation applicable to such Debtor that would, individually or in the aggregate, have a Material Adverse Effect, the articles of incorporation or bylaws of Debtor or any order, judgment or decree of any court or other Governmental Authority binding on such Debtor, (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation of such Debtor that would, individually or in the aggregate, have a Material Adverse Effect, (c) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of such Debtor, other than as permitted by Section 8.5 to the Loan Agreement or (d) require any approval or consent of any Person under any material contractual obligation of such Debtor, other than consents or approvals that have been obtained and that are still in full force and effect.

(iii) Other than the filing of financing statements in the jurisdictions in which each Debtor is located for purposes of Sections 9-301 and 9-307 of the Code, the execution, delivery and performance by Debtor of this Agreement, the Loan Agreement and the other Loan Documents to which Debtor is a party do not and will not require any registration with, consent or approval of, or notice to, or other action with or by, any Governmental Authority other than consents or approvals that have been obtained and that are still in full force and effect or such consents and approvals that if not obtained would not, individually or in the aggregate, have a Material Adverse Effect.

(iv) This Agreement, the Loan Agreement and the other Loan Documents to which each Debtor is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Debtor will be the legally valid and binding obligations of such Debtor, enforceable against such Debtor in accordance with their respective terms.

(v) Upon the filing of the financing statements in the jurisdictions in which each Debtor is located for purposes of Sections 9-301 and 9-307 of the Code on and after the date of the initial Loan under the Loan Agreement, Lender's Liens in the Collateral evidenced thereby are validly created, perfected and first priority Liens, subject only to Liens permitted by Sections 9.5 and 10.2(iii) of the Loan Agreement.

3.7 Deposit Accounts and Securities Accounts. Set forth on Schedule 4.22 to the Loan Agreement are all of Debtor's Deposit Accounts and Securities Accounts, each of which is maintained with the corresponding financial institution indicated on Schedule 4.22.

4. AFFIRMATIVE COVENANTS. Each Debtor covenants and agrees that until payment in full of the Secured Obligations, each Debtor shall do all of the following:

4.1 Maintenance of Properties. Maintain and preserve all of its properties as required by the Loan Agreement.

4.2 Insurance. Each Debtor shall comply with the obligations under Section 7.6 of the Loan Agreement.

4.3 Post-Closing Covenant. Within 30 days of the date of the initial Loan under the Loan Agreement, each Debtor shall have delivered to Lender search results reflecting the filing of all Uniform Commercial Code financing statements reasonably required by Lender and no such search results shall reflect any effective financing statements other than those relating to Liens permitted by Sections 9.5 of the Loan Agreement; provided, that if any such search results do reflect any effective financing statements relating to any Lien other than a Lien permitted by Sections 8.5 of the Loan Agreement, the Debtor shall cause such financing statements to be terminated within 10 Banking Days after its receipt of such search result.

5. NEGATIVE COVENANTS. Debtor covenants and agrees that until payment in full of the Secured Obligations, no Debtor will do any of the following:

5.1 Disposal of Assets. Dispose of any assets other than dispositions permitted by the Loan Agreement;

5.2 Change Name. Change its name or state of organization; provided, however, that such Debtor may change its name upon at least 30 days prior written notice to Lender of such change and so long as, at the time of such written notification, such Debtor provides any financing statements or amendments to financing statements necessary to perfect and continue perfected Lender's Liens; or

5.3 Removal of Collateral. Remove, or cause or permit to be removed, any of the Collateral from the premises where such Collateral is currently located except as permitted by the Loan Agreement.

6. LENDER'S RIGHTS AND REMEDIES.

6.1 Rights and Remedies. Upon the occurrence of an Event of Default and subject to the terms of the Loan Agreement, in addition to all other rights and remedies available to Lender as provided hereafter, Lender may, at its election, without notice of its election and without demand (other than any notice required to be provided to Debtor pursuant to the terms of the Loan Agreement), do any one or more of the following, all of which are authorized by each Debtor:

(i) Proceed directly and at once, without notice, against any Debtor to collect and recover the full amount or any portion of the Secured Obligations, without first proceeding against other Debtors, or against any security or Collateral for the Secured Obligations;

(ii) Without notice to any Debtor and regardless of the acceptance of any security or Collateral for the payment hereof, appropriate and apply toward the payment of the Secured Obligations (a) any indebtedness due or to become due from Lender to Debtor and (b) any moneys, credits or other property belonging to any Debtor at any time held by or coming into the possession of Lender;

(iii) Exercise in respect of the Collateral, in addition to other rights and remedies provided for herein and in the Loan Agreement or otherwise available to it, all the rights and remedies available to it at law (including those of a secured party under the Code) or in equity;

(iv) Settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Lender considers advisable, and in such cases, Lender will turn over (without recourse, representation or warranty) to the Debtors all amounts received by Lender in payment of such disputed Accounts that remain after deducting from such received amounts all amounts owed to Lender pursuant to Section 8.3 of this Agreement and applying such received amounts to all other outstanding Secured Obligations;

(v) Without notice or demand upon any Debtor, make such payments and do such acts as Lender considers reasonably necessary to protect its security interest in the Collateral. Each Debtor agrees to assemble the Collateral if Lender so requires, and to make the Collateral available to Lender as Lender may designate. Each Debtor authorizes Lender to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest or compromise any encumbrance, charge or Lien (except liens permitted by Section 8.5) of the Loan Agreement) which in Lender's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Debtors' owned premises, each Debtor hereby grants, to the fullest extent permitted by law and binding contract, Lender a license to enter into possession of such premises and to occupy the same, without charge, for up to 120 days in order to exercise any of Lender's rights or remedies provided herein, at law, in equity or otherwise;

(vi) Without notice to any Debtor (such notice being expressly waived) and without constituting an acceptance of any Collateral in full or partial satisfaction of an obligation (within the meaning of the Code), set off and apply to the Secured Obligations any and all (a) balances and deposits of any Debtor held by Lender or (b) indebtedness at any time owing to or for the credit or the account of any Debtor held by Lender;

(vii) Hold, as cash collateral, any and all balances and deposits of any Debtor held by Lender to secure the full and final repayment of all of the Secured Obligations;

(viii) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale and sell (in the manner provided for herein) the Collateral. Each Debtor hereby grants Lender (to the fullest extent permitted by law and binding contract) a license or other right to use (subject to any existing exclusive licenses and, in the case of trademarks and any property of similar nature, to sufficient rights to quality control and inspection in favor of any Debtor to avoid the risk of invalidation of such trademarks and property of similar nature), without charge, Debtors' labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of advertising for sale and selling any Collateral, and Debtors' rights under all licenses and all franchise agreements shall inure to Lender's benefit;

(ix) Sell all or any part of the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Debtor's premises) as Lender determines is commercially reasonable. It is not necessary that such Collateral be present at any such sale. Each Debtor acknowledges that certain Collateral is perishable and threatens to decline speedily in value. Accordingly, each Debtor hereby waives any and all rights such Debtor may have to receive notice of the sale of any Collateral, irrespective of whether such Collateral is perishable or not.

(x) Credit bid and purchase at any public or private sale all or any portion of the Collateral;

(xi) Seek the appointment of a receiver or keeper to take possession of all or any portion of the Collateral or to operate the same and, to the maximum extent permitted by law, may seek the appointment of such a receiver or keeper without the requirement of prior notice or a hearing;

(xii) On behalf of itself, shall have all other rights and remedies available at law or in equity or pursuant to the Loan Agreement or any other Loan Document; and

(xiii) Be entitled to any deficiency that exists after disposition of the Collateral as provided above by immediate payment from each Debtor. Any excess will be returned, without interest and subject to the rights of third Persons, by Lender to the Debtors.

6.2 Remedies Cumulative. Lender's rights and remedies under this Agreement (which are hereby incorporated by reference as if set forth herein in full), the Loan Agreement, the other Loan Documents and all other agreements shall be cumulative. Lender shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law or in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver with respect to any other Event of Default by Lender of any Event of Default on Debtors' part shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election or acquiescence by it.

7. **TAXES AND EXPENSES REGARDING THE COLLATERAL.** If any Debtor fails to pay any monies (whether taxes, rents, assessments, insurance premiums, or, in the case of leased properties or assets, rents or other amounts payable under such leases) due to third Persons, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement or the Loan Agreement, then, Lender, in its sole discretion and without prior notice to such Debtor, may, but in no event be required to, do any or all of the following: (i) make payment of the same or any part thereof (except to the extent that the validity of such assessment or tax is the subject of a Permitted Protest); or (ii) in the case of the failure to comply with Section 8.6 of the Loan Agreement, obtain and maintain insurance policies insuring Debtor's ownership and use of the Collateral, and take any action with respect to such policies as Lender deems prudent. Any amounts paid or deposited by Lender shall immediately become additional Secured Obligations and shall be secured by the Collateral. Any payments made by Lender shall not constitute an agreement by Lender to make similar payments in the future or a waiver by Lender of any Event of Default under this Agreement. Lender need not inquire as to, or contest the validity of, any such expense, tax, security interest, encumbrance or Lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

8. **WAIVERS; INDEMNIFICATION.**

8.1 **Demand; Protest; etc.** Except as required by the Loan Agreement, Loan Documents or applicable law, each Debtor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of Accounts, documents, instruments, chattel paper and guarantees at any time held by Lender on which such Debtor may in any way be liable.

8.2 **Lender's Liability for Collateral.** Lender shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral; (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (iii) any diminution in the value thereof; or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency or other Person except with respect to clauses (i) through (iv) of this Section 8.2 for liability arising out of Lender's own gross negligence or willful misconduct. Except as set forth in the immediately preceding sentence, all risk of loss, damage or destruction of the Collateral shall be borne by a Debtor.

8.3 **Indemnification.** Each Debtor shall, jointly and severally, pay, indemnify, defend and hold Lender, its affiliates and each Person, if any, who controls Lender or any of its affiliates within the meaning of the Securities Act or the Exchange Act (a "Controlling Person") and the respective partners, agents, advisors, employees, officers and directors of Lender, its affiliates and any such Controlling Person (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings and damages, and all reasonable attorney's fees and disbursements and other costs and expenses incurred in connection therewith (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon or incurred by any of them (i) in connection with or as a result of or related to the execution, delivery, enforcement, performance or administration (including any restructuring or workout with respect hereto) of this Agreement, the Loan Agreement, any of the other Loan Documents or the transactions contemplated hereby or thereby or the monitoring of Debtor's compliance with the terms of this Agreement, the Loan Agreement and the other Loan Documents and (ii) with respect to any investigation, litigation or proceeding related to this Agreement, the Loan Agreement, any other Loan Document or the use of the proceeds of the credit provided thereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event or circumstance in any manner related thereto, excluding, in each case, income and withholding taxes (all the foregoing non-excluded items, collectively, the "Indemnified Liabilities"). The foregoing to the contrary notwithstanding, Debtor shall not have any obligation to any Indemnified Person under this Section 8.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person. This provision shall survive the termination of this Agreement and the repayment of the Secured Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which Debtor was required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Debtor with respect thereto. WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON (OTHER THAN ANY GROSSLY NEGLIGENT ACT OR OMISSION OR INTENTIONAL MISCONDUCT OF SUCH INDEMNIFIED PERSON).

9. **NOTICES.** All notices and other communications hereunder to any Debtor or Lender shall be in writing and shall be mailed, sent or delivered in accordance with the Loan Agreement.

10. **CHOICE OF LAW; VENUE; AND WAIVER OF JURY TRIAL.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF DELAWARE, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEBRASKA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT LENDER'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE LENDER ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. DEBTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

11. GENERAL PROVISIONS.

11.1 **Effectiveness.** This Agreement shall be binding and deemed effective when executed and delivered by Debtor and Lender.

11.2 **Successors and Assigns.** This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that no party may assign this Agreement or any rights or duties hereunder other than pursuant to the terms of the Loan Agreement.

11.3 **Section Headings.** Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each section applies equally to this entire Agreement.

11.4 **Interpretation.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Debtors, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

11.5 **Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

11.6 Amendments; Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by Debtors herefrom shall in any event be effective unless the same shall be in writing and signed by Lender and Debtors, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of Lender to exercise, and no delay in exercising any right under this Agreement, the Loan Agreement, any other Loan Document or otherwise with respect to any of the Secured Obligations shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement, the Loan Agreement, any other Loan Document or otherwise with respect to any of the Secured Obligations preclude any other or further exercise thereof or the exercise of any other right. The remedies provided for in this Agreement or otherwise with respect to any of the Secured Obligations are cumulative and not exclusive of any remedies provided by law.

11.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

11.8 Revival and Reinstatement of Obligations. If the incurrence or payment of the Secured Obligations by any Debtor or the transfer by Debtor to Lender of any property of Debtor should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the United States bankruptcy laws relating to fraudulent conveyances, preferences, and other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if Lender is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Lender is required or elects to repay or restore, and as to all reasonable costs, expenses and attorneys' fees of Lender related thereto, the liability of Debtor automatically shall be revived, reinstated and restored and shall exist as though such Voidable Transfer had never been made.

11.9 Debtors Remain Liable. Anything herein to the contrary notwithstanding:

(i) Each Debtor will remain liable under the contracts and agreements to which it is a party that is included in the Collateral to the extent set forth therein, and will perform all of its duties and obligations under such contracts and agreements to the same extent as if this Agreement had not been executed;

(ii) the exercise by Lender of any of its rights hereunder will not release Debtor from any of its duties or obligations under any such contracts or agreements included in the Collateral; and

(iii) Lender will not have any obligation or liability under any contracts or agreements included in the Collateral by reason of this Agreement, nor will Lender be obligated to perform any of the obligations or duties of a Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

11.10 Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall: (i) remain in full force and effect until the payment in full of all Secured Obligations; (ii) be binding upon each Debtor and its respective successors and assigns; and (iii) inure to the benefit of Lender and its successors, transferees and assigns. Upon the payment in full of all Secured Obligations, the security interests granted herein shall automatically terminate and all rights to the Collateral shall revert to Debtors. Upon any termination of any security interest referred to in this Section 11.10, Lender will, at Debtors' expense, execute and deliver to Debtors such documents without recourse, representation or warranty as Debtors shall reasonably request to evidence such termination.

11.11 Security Interest Absolute. To the maximum extent permitted by law, all rights of Lender, all security interests hereunder and all obligations of each Debtor hereunder shall be absolute and unconditional irrespective of:

- (i) any lack of validity or enforceability of any of the Secured Obligations or any other agreement or instrument relating thereto, including the Loan Agreement or any of the Loan Documents;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Loan Agreement or any of the Loan Documents, or any other agreement or instrument relating thereto;
- (iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Secured Obligations; or
- (iv) any other circumstances that might otherwise constitute a defense available to, or a discharge of, any Debtor.

To the maximum extent permitted by law, each Debtor hereby waives any right to require Lender to: (i) proceed against or exhaust any security held from any Debtor; or (ii) pursue any other remedy in Lender's power whatsoever.

11.12 Postponement of Subrogation. Each Debtor hereby agrees that it will not exercise any rights which it may acquire by reason of any payment made hereunder, whether by way of subrogation, reimbursement or otherwise until the prior payment in full of all Secured Obligations. Any amount paid to a Debtor on account of any payment made hereunder prior to the payment in full of all Secured Obligations shall be held in trust for the benefit of Lender and shall immediately be paid to Lender, to be distributed to Lender for application against the Secured Obligations, whether matured or unmatured, in accordance with the terms of the Loan Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this General Security Agreement to be executed as of the date first above written.

EVEREST GROUP LLC

By:
Name: Vinold Gupta
Title: Manager

/s/ Vinod Gupta

LIVEDEAL, INC., a Nevada corporation formerly known as YP Corp.

By:
Name: Kevin A. Hall
Title: President and Chief Executive Officer

/s/ Kevin A. Hall

LOCAL MARKETING EXPERTS, INC.

By:
Name: Kevin A. Hall
Title: President

/s/ Kevin A. Hall

VELOCITY MARKETING CONCEPTS, INC.

By:
Name: Kevin A. Hall
Title: President

/s/ Kevin A. Hall

247 MARKETING, LLC

By:
Name: Kevin A. Hall
Title: President

/s/ Kevin A. Hall

TELCO BILLING, INC

By:
Name: Kevin A. Hall
Title: President

/s/ Kevin A. Hall

TELCO OF CANADA, INC.

By:
Name: Kevin A. Hall
Title: President

/s/ Kevin A. Hall

LIVEDEAL, INC., a California corporation

By:
Name: Kevin A. Hall
Title: President

/s/ Kevin A. Hall

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“**Agreement**”) is made and entered into effective as of May 20, 2011 (“**Effective Date**”) by and between LiveDeal, Inc., a Nevada corporation (the “**Company**”) and Lawrence W. Tomsic (“**Executive**”).

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

1. **Employment.** The Company hereby agrees to employ Executive, and Executive hereby agrees to serve, subject to the provisions of the Agreement, as an employee of the Company in the position of Chief Financial Officer. Executive will perform all services and acts reasonably necessary to fulfill the duties and responsibilities of his positions and will render such services on the terms set forth herein and will report to the Company’s Chief Executive Officer (the “**CEO**”). In addition, Executive will have such other executive and managerial powers and duties with respect to the Company as may reasonably be assigned to him by the CEO or the Board of Directors (the “**Board**”), to the extent consistent with his positions and status as set forth above. Executive is obligated to devote his full time, attention and energies to perform the duties assigned hereunder and Executive agrees to perform such duties diligently, faithfully and to the best of his abilities. Notwithstanding the foregoing, Executive may (a) serve on civic or charitable or not-for-profit industry related organizations, (b) engage in charitable, civic, educational, professional community and/or industry activities without remuneration therefor and (c) manage personal and family investments, so long as such activities do not interfere with the performance of Executive’s duties under this Agreement. Executive represents and warrants to the Company that (i) he has no contractual obligation to any third party (including B2B CFO) that would prohibit his fulfillment of all of his duties and obligations hereunder and (ii) no such third party is entitled to any payment or fee from the Company in connection with Executive’s employment with or services to the Company. Executive agrees to indemnify and hold harmless the Company and all of its officers, directors and shareholders from any breach of the foregoing representations and warranties.

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

3. **Compensation.**

(a) **Salary.** Executive shall be paid a salary at the annual rate of \$220,000 (the “**Salary**”). The Salary will at all times be payable in accordance with the Company’s regular payroll practices and subject to all applicable withholdings, including taxes.

(b) **Performance Bonuses.** Executive will be entitled to receive an annual performance bonus in the event the Company reaches certain performance measures established by the CEO and the Compensation Committee of the Board or the entire Board. Executive’s target bonus will be \$80,000. All bonuses payable will be subject to all applicable withholdings, including taxes.

(c) Stock Option. Executive is entitled to an option to purchase from the Company for cash all or any part of an aggregate of 10,000 shares of the Company's common stock (the "**Option**") at an exercise price equal to the closing price of the Company's common stock on the date of grant ("**Grant Date**"). The Option will be granted pursuant to the Company's Amended and Restated 2003 Stock Plan and the Company's standard form of Non-Qualified Stock Option Agreement. The Option granted under this Agreement is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended. So long as Executive continues to be employed by the Company in accordance with this Agreement, the Option will vest and be exercisable according to the following schedule: 3,542 shares immediately on the Grant Date and the remainder shall vest 1/31 at the end of each month thereafter over the next 31 months so long as Executive continues to provide services to the Company. Notwithstanding the foregoing, all unvested shares shall become immediately vested and exercisable in the event there has occurred (i) a Change of Control involving the Company and (ii) the successor to the Company or the Company's business terminates Executive within 12 months of such Change of Control or within such 12-month time period reduces Executives compensation and benefits from what they were immediately prior to the Change of Control and/or such successor company fails to assume the obligations of the Company under and become a party to this Agreement.

As used in this Agreement, a "Change in Control" shall mean any of the following events:

- (i) the Company is a party to a merger or consolidation, or series of related transactions, with a person other than an affiliate; or
- (ii) all or substantially all of the assets of the Company are, in any transaction or series of transactions, sold or otherwise disposed of (or consummation of any transaction, or series of related transactions, having similar effect), other than to an affiliate; or
- (iii) at least 51% of the Company's outstanding shares are tendered to an unaffiliated third party

provided, however, that in no event shall a "Change in Control" be deemed to have occurred for purposes of this Agreement solely because the Company engages in an internal reorganization, which may include a transfer of assets to, or a merger or consolidation with, one or more affiliates.

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

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

6. Termination of Employment.

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

- (i) the date of Executive's death;
- (ii) the date on which Executive has experienced a Disability (as defined below), and the Company gives Executive notice of termination on account of Disability;
- (iii) the date on which Executive has engaged in conduct that constitutes Cause (as defined below), and the Company gives notice of termination for Cause;

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

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

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

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

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

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

(iii) Executive’s breach of any material term of this Agreement or the Company’s written policies and procedures, as in effect from time to time; provided, however, that with respect to Sections 6(c)(i) or (iii) above, such termination for Cause will only be effective if the conduct constituting Cause is not cured by Executive within 5 days of receipt by Executive of written notice specifying in reasonable detail the nature of the alleged breach.

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

7. Compensation in Event of Termination. Upon termination of this Agreement and Executive’s employment, the Company will have no further obligation to Executive except to pay the amounts set forth in this Section 7.

(a) In the event Executive’s employment is terminated pursuant to Section 6(a)(i), (ii), (iii) or (iv), Executive will be entitled to payment of any earned but unpaid Salary through the date of termination. Any earned but unpaid bonuses, fees or payments due to Executive hereunder shall be paid to Executive as set forth herein.

(b) In the event Executive’s employment is terminated pursuant to Section 6(a)(v), and provided that Executive (i) if a member of the Board, formally resigns in writing from the Board and as an officer and director of any subsidiary of the Company, and (ii) executes a valid release of any and all claims that Executive may have relating to his employment against the Company and its agents, including, but not limited to, its officers, directors and employees, in a form provided by the Company and that contains a 12-month non-solicitation clause and a non-competition clause with a restrictive period equal to the Severance Period (as defined below), Executive will be entitled to a lump sum payment equal to Executive’s Salary for a period (“**Severance Period**”) of one month for each full 12-month period following the date on which Executive first began providing services to the Company, subject to all applicable withholdings and taxes. Any earned but unpaid bonuses, fees or payments due to Executive hereunder shall be paid to Executive as set forth herein.

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

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

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

11. Binding Agreement.

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

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

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

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

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

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

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

To Executive at:

Lawrence W. Tomsic

Phone: (____) ____-_____

To the Company at:

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

Attention: CEO

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

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

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

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

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

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

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

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

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

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

LIVEDEAL, INC., a Nevada corporation

EXECUTIVE

/s/ Kevin A. Hall

/s/ Lawrence W. Tomsic

By: Kevin A. Hall

Lawrence W. Tomsic

Its: President and Chief Executive Officer

Dated: May 20, 2011

Dated: May 20, 2011

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Kevin A. Hall, certify that:

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

Date: August 15, 2011

/s/ Kevin A. Hall
Kevin A. Hall
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Lawrence W. Tomsic, certify that:

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

Date: August 15, 2011

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

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

I, Kevin A. Hall, the President and Chief Executive Officer of LiveDeal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of LiveDeal, Inc. on Form 10-Q for the quarter ended June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of LiveDeal, Inc.

Date: August 15, 2011

/s/ Kevin A. Hall
Kevin A. Hall
President and Chief Executive Officer
(Principal Executive Officer)

I, Lawrence W. Tomsic, the Chief Financial Officer of LiveDeal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of LiveDeal, Inc. on Form 10-Q for the quarter ended June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of LiveDeal, Inc.

Date: August 15, 2011

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