

LIVEDEAL INC
Form 10-Q
May 16, 2011

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 March 31, 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.

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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 April 29, 2011 was 652,982.

INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED MARCH 31, 2011

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIVEDEAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2011 (unaudited)	September 30, 2010
Assets		
Cash and cash equivalents	\$641,134	\$3,227,374
Certificates of deposit	101,293	101,293
Accounts receivable, net	920,636	948,439
Prepaid expenses and other current assets	181,010	219,121
Total current assets	1,844,073	4,496,227
Accounts receivable, long term portion, net	273,625	330,234
Property and equipment, net	262,769	397,382
Deposits and other assets	52,089	49,294
Intangible assets, net	1,284,899	1,938,952
Total assets	\$3,717,455	\$7,212,089
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$758,773	\$354,440
Accrued liabilities	766,431	880,188
Current portion of capital lease obligation	62,738	60,327
Total current liabilities	1,587,942	1,294,955
Long term portion of capital lease obligation	5,330	38,283
Total liabilities	1,593,272	1,333,238
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, 647,110 and 609,643 shares issued, 642,858 and 605,391 shares outstanding at March 31, 2011 and September 30, 2010, respectively	647	610
Treasury stock (4,252 shares carried at cost)	(70,923)	(70,923)
Paid in capital	20,733,069	20,441,721
Accumulated deficit	(18,549,476)	(14,503,423)
Total stockholders' equity	2,124,183	5,878,851
Total liabilities and stockholders' equity	\$3,717,455	\$7,212,089

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 March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Net revenues	\$1,118,165	\$1,101,816	\$2,112,787	\$2,209,340
Cost of services	1,512,783	182,597	2,407,360	280,946
Gross profit	(394,618)	919,219	(294,573)	1,928,394
Operating expenses:				
General and administrative expenses	1,611,382	3,138,052	3,583,951	7,099,942
Sales and marketing expenses	23,183	90,054	36,775	261,111
Total operating expenses	1,634,565	3,228,106	3,620,726	7,361,053
Operating loss	(2,029,183)	(2,308,887)	(3,915,299)	(5,432,659)
Other income (expense):				
Interest income (expense), net	(310)	3,608	1,252	10,518
Other income (expense)	-	(22,693)	-	27,307
Total other income (expense)	(310)	(19,085)	1,252	37,825
Loss before income taxes	(2,029,493)	(2,327,972)	(3,914,047)	(5,394,834)
Income tax provision (benefit)	-	(330,357)	-	(230,382)
Loss from continuing operations	(2,029,493)	(1,997,615)	(3,914,047)	(5,164,452)
Discontinued operations				
Income (loss) from discontinued component, including disposal costs	(285,207)	224,095	(131,047)	865,279
Income tax provision (benefit)	-	-	-	-
Income (loss) from discontinued operations	(285,207)	224,095	(131,047)	865,279
Net loss	\$(2,314,700)	\$(1,773,520)	\$(4,045,094)	\$(4,299,173)
Earnings per share - basic and diluted ¹ :				
Loss from continuing operations	\$(3.24)	\$(3.33)	\$(6.36)	\$(8.61)
Discontinued operations	(0.46)	0.37	(0.21)	1.44
Net loss	\$(3.70)	\$(2.96)	\$(6.57)	\$(7.17)
Weighted average common shares outstanding:				
Basic	625,982	599,653	615,369	599,594
Diluted	625,982	599,653	615,369	599,594

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

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

	Six Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(4,045,094)	\$(4,299,173)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	395,728	443,853
Non-cash stock compensation expense	23,499	7,205
Amortization of deferred stock compensation	17,885	120,131
Provision for uncollectible accounts	392,171	648,561
Non-cash impairment of goodwill and intangibles	367,588	-
Loss on disposal of property and equipment and intangible assets	25,350	74,271
Changes in assets and liabilities:		
Accounts receivable	(307,759)	108,760
Prepaid expenses and other current assets	38,111	(167,356)
Deposits and other assets	(2,795)	(6,114)
Accounts payable	404,333	185,400
Accrued liabilities	(114,715)	(98,325)
Income taxes receivable and payable	-	1,490,835
Net cash used in operating activities	(2,805,698)	(1,491,952)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for intangible assets	-	(268,693)
Investment in certificate of deposits	-	(200,000)
Purchases of property and equipment	-	(56,321)
Net cash used in investing activities	-	(525,014)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease obligations	(30,542)	(58,068)
Issuance of common stock for cash	250,000	-
Purchase of treasury stock	-	(25,882)
Net cash provided by (used in) financing activities	219,458	(83,950)
DECREASE IN CASH AND CASH EQUIVALENTS	(2,586,240)	(2,100,916)
CASH AND CASH EQUIVALENTS, beginning of period	3,227,374	7,568,030
CASH AND CASH EQUIVALENTS, end of period	\$641,134	\$5,467,114
Supplemental cash flow disclosures:		
Noncash financing and investing activities:		
Accrued and unpaid dividends	\$958	\$958

Interest paid	\$2,270	\$3,777
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The accompanying notes are an integral part of these condensed consolidated financial statements

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

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 March 31, 2011, and for the three and six months ended March 31, 2011 and March 31, 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 months ended March 31, 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 13 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. As the Company continues to maintain its remaining business line, it is simultaneously exploring other strategic initiatives. We cannot provide any assurance that any additional financing arrangements will be available in amounts or on terms acceptable to us, if at all.

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

Note 2: Balance Sheet Information

Balance sheet information is as follows:

	March 31, 2011 (unaudited)	September 30, 2010
Receivables, current, net:		
Accounts receivable, current	\$ 2,468,093	\$ 2,750,393
Less: Allowance for doubtful accounts	(1,547,457)	(1,801,954)
	\$ 920,636	\$ 948,439
Receivables, long term, net:		
Accounts receivable, long term	\$ 571,089	\$ 680,108
Less: Allowance for doubtful accounts	(297,464)	(349,874)
	\$ 273,625	\$ 330,234
Total receivables, net:		
Gross receivables	\$ 3,039,182	\$ 3,430,501
Less: Allowance for doubtful accounts	(1,844,921)	(2,151,828)
	\$ 1,194,261	\$ 1,278,673

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

	March 31, 2011 (unaudited)	September 30, 2010
Property and equipment, net:		
Leasehold improvements	\$ 234,476	\$ 239,271
Furnishings and fixtures	239,715	319,004
Office, computer equipment and other	445,373	704,388
	919,564	1,262,663
Less: Accumulated depreciation	(656,795)	(865,281)
	\$ 262,769	\$ 397,382

The Company discovered 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.

	March 31, 2011 (unaudited)	September 30, 2010
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	(588,068)	(1,485,639)
	\$ 1,284,899	\$ 1,938,952

The decrease in net intangible assets reflects continuing amortization and the write-off of \$367,588 of net intangible assets associated with our discontinued operations. See Note 4.

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

	March 31, 2011 (unaudited)	September 30, 2010
Accrued liabilities:		
Deferred revenue	\$ 49,349	\$ 87,574
Accrued payroll and bonuses	77,344	124,544
Accruals under revenue sharing agreements	141,900	133,119
Accrued expenses - other	497,838	534,951
	\$ 766,431	\$ 880,188

Note 3: 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 six months ended March 31, 2011, the Company incurred expenses of \$0 and \$99,319 respectively, in connection with the reduction in force, of which \$37,500 were incurred for one-time employee termination benefits payable in cash. The remaining expenses 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 March 31, 2011.

Note 4: Discontinued Operations

As part of the Company's strategy to evaluate each of its business segments as separate entities, management noted that the Direct Sales business segment 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 expects to conclude such activities in May 2011. In conjunction with the discontinued operations, the Company recorded the following charges in the three months ended March 31, 2011:

- Employee contract termination charges of \$7,083 reflecting the reduction in force of 8 employees;
- Non cash impairment charges of \$367,588 consisting of the write-off of net intangible assets;

The Direct Sales business segment accounted for \$513,751 and \$1,236,137 of net revenues for the three and six months ended March 31, 2011, respectively, and \$1,063,837 and \$2,433,760 of net revenues for the three and six months ended March 31, 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 has entered into an agreement 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. 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. No revenues have been derived from this agreement during the three and six months ended March 31, 2011.

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

Note 5: 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 six months ended March 31, 2011, the Company recognized compensation expense (benefit) of \$0 and \$23,499, respectively, and \$15,365 and \$7,205 for the three and six months ending March 31, 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 such changes in the estimated forfeiture rate in the six months ending March 31, 2011.

On March 24, 2011, pursuant to the Company's 2003 Stock Plan, the Company issued its CEO options to purchase an aggregate of 12,813 shares of the Company's common stock at an exercise price equal to \$3.72, which was the 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: stock price of \$3.72, volatility of 108 percent, expected life of 6.1 years, and risk free rate of 2.82 percent. Given the timing of the grant, no amounts were expensed related to this grant. The following represents a summary of stock option activity for the six months ended March 31, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 30, 2010	5,000			
Granted at market price	12,813			
Exercised	-			
Forfeited	(5,000)	\$ 14.50		
Outstanding at March 31, 2011	12,813	\$ 3.72	10.0	\$ -
Exercisable	-	\$ -	-	\$ -

As of March 31, 2011, the Company has \$19,834 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 4 years.

Restricted Stock Awards

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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 six months ended March 31, 2011:

Outstanding (unvested) at September 30, 2010	4,658
Granted	-
Forfeited	-
Vested	(2,375)
Outstanding (unvested) at March 31, 2011	2,283

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

As the Company's outstanding unvested stock has been reduced to an immaterial amount, the Company has 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 six months ended March 31, 2011, respectively. To the extent that actual forfeiture rates differ from estimates, future expense recognition or reversals could result.

Note 6: 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).
- \$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 March 31, 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 8,510 shares (determined by using the \$5.87 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 shall be wired to the Company's designated account on or before May 25, 2011.

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

Note 7: Net Loss Per Share

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the 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.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Loss from continuing operations	\$(2,029,493)	\$(1,997,615)	\$(3,914,047)	\$(5,164,452)
Less: preferred stock dividends	(479)	(479)	(958)	(958)
Loss from continuing operations applicable to common stock	(2,029,972)	(1,998,094)	(3,915,005)	(5,165,410)
Income (loss) from discontinued operations	(285,207)	224,095	(131,047)	865,279
Net loss applicable to common stock	\$(2,315,179)	\$(1,773,999)	\$(4,046,052)	\$(4,300,131)
Weighted average common shares outstanding - basic and diluted	625,982	599,653	615,369	599,594
Earnings per share - basic and diluted ¹ :				
Loss from continuing operations	\$(3.24)	\$(3.33)	\$(6.36)	\$(8.61)
Discontinued operations	(0.46)	0.37	(0.21)	1.44
Net loss	\$(3.70)	\$(2.96)	\$(6.57)	\$(7.17)

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 March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Options to purchase shares of common stock	12,813	30,000	15,313	42,568
Series E convertible preferred stock	127,840	127,840	127,840	127,840
Shares of non-vested restricted stock	2,283	6,743	2,283	8,100
	142,936	164,583	145,436	178,508

Note 8: Income Taxes

At March 31, 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 six months ended March 31, 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.

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

Note 9: Commitments and Contingencies

Operating Leases and Service Contracts

As of March 31, 2011, future minimum annual payments under operating lease agreements and non-cancelable service contracts for fiscal years ending September 30 are as follows:

	Total	Payments Due by Fiscal Year					
		2011	2012	2013	2014	2015 Thereafter	
Operating lease commitments	\$ 644,268	\$ 205,497	\$ 348,871	\$ 89,900	\$ -	\$ -	\$ -
Noncancelable service contracts	472,458	334,458	138,000	-	-	-	-
	\$ 1,116,726	\$ 539,955	\$ 486,871	\$ 89,900	\$ -	\$ -	\$ -

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

Capital leases

As of March 31, 2011, future obligations under non-cancelable capital leases are as follows for the fiscal years ended September 30:

2011	\$32,071
2012	37,417
2013	-
2014	-
2015	-
Thereafter	-
Total minimum lease payments	69,488
Less imputed interest	(1,420)
Present value of minimum lease payments	68,068
Less: current maturities of capital lease obligations	62,738
Noncurrent maturities of capital lease obligations	\$5,330

Litigation

Except as described below, as of March 31, 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. *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 seeks injunctive relief against the Company's use of the checks, as well as judgment in an amount equal to three times the alleged damages sustained by GES and the members of the class. LiveDeal has denied the allegations. Early in 2010, the Court denied both parties' dispositive motions after oral argument. Active litigation is temporarily suspended, but Plaintiff is seeking to restart the litigation.

Nasdaq Compliance Plan

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 must 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. The Company is continuing its efforts to implement the strategies identified in the compliance plan.

Note 10: Concentration of Credit Risk