

MITTAL STEEL CO N.V.
Form 425
May 12, 2006

Filed by Mittal Steel Company N.V.

Pursuant to Rule 425 under the United States

Securities Act of 1933, as amended

Subject Company: Arcelor S.A.

Commission File No. of Mittal Steel: 001-14666

Date: May 12, 2006

Forward-Looking Statements

This communication may contain forward-looking information and statements about Mittal Steel Company N.V., Arcelor S.A. and/or their combined businesses after completion of the proposed acquisition. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "target" or similar expressions. Although Mittal Steel's management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Arcelor's securities are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Mittal Steel, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the filings with the Netherlands Authority for the Financial Markets and the SEC made or to be made by Mittal Steel, including (in the latter case) on Form 20-F and on Form F-4. Mittal Steel undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events, or otherwise.

No Offer

No offer to exchange or purchase any Arcelor shares or convertible bonds has been made in The Netherlands or in any jurisdiction other than Luxembourg, France, Spain, Belgium and the United States. This communication does not constitute an offer to exchange or purchase any Arcelor shares or convertible bonds. Such an offer will be made only pursuant to an official offer document approved by the appropriate regulators.

Important Information

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In connection with its proposed acquisition of Arcelor S.A., Mittal Steel Company has filed, and will file, important documents with the SEC, including a registration statement on Form F-4, a prospectus for the exchange offer and related documents. Investors and Arcelor security holders are urged to carefully read all such documents because they contain important information. Investors and Arcelor security holders may obtain copies of such documents free of charge on the SEC's website at www.sec.gov and Mittal Steel's website at www.mittalsteel.com.

For immediate release

MITTAL STEEL COMPANY N.V. REPORTS FIRST QUARTER

2006 RESULTS

Rotterdam, May 12, 2006 - Mittal Steel Company N.V. (Mittal Steel or the Company), the world's largest and most global steel company, today announced results for the three months ended March 31, 2006.

Highlights:

Strong results higher than guidance-reflecting an improved operating environment

EPS up 15% from Q405

Operating income in Q106 up 17% from Q405

In Q206, we expect operating income to increase at a rate higher than the Q106/Q405 increase

Operating conditions expected to further improve in Q306

(US dollars in millions except per share and shipment data)

	1Q 2006	4Q 2005	1Q 2005
Shipments (000 ST)	15,597	13,642	10,379
Sales	\$8,430	\$7,054	\$6,424
Operating income	1,017	871	1,719
Net income	743	650	1,147
Basic Earnings Per Share	1.06	0.92	1.78

The results for 2005 include Mittal Steel USA ISG Inc. (ISG), formerly International Steel Group, from April 15, 2005, and the results of Mittal Steel Kryviy Rih, formerly Kryvorizhstal, from November 26, 2005. As a result, prior period results are not entirely comparable.

Commenting, Lakshmi N Mittal, Chairman and CEO Mittal Steel Company, said:

We are pleased to report a good performance this quarter, despite bottom-cycle market conditions in Africa and Asia. This performance has been underpinned by over 50% quarter on quarter growth in operating income of our American and European businesses.

We expect the market recovery to continue in the second and third quarter of 2006, supported by improvements in the Asian market. Mittal Steel is well placed to capitalize on this trend which should generate further earnings momentum. We anticipate that the improvements in market conditions will drive significant growth in operating income in the second quarter and this momentum can be expected to continue into the third quarter.

Meanwhile our offer for Arcelor is expected to go live shortly and we are resolute in our determination to pursue this to a successful conclusion.

FIRST QUARTER 2006 EARNINGS ANALYST CONFERENCE CALL

Lakshmi N. Mittal, Chairman and Chief Executive Officer, Aditya Mittal, President and Chief Financial Officer, Malay Mukherjee, Chief Operating Officer, Michael Pfitzner, Director Marketing and Julien Onillon, Director Investor Relations will host a conference call for members of the investment community to discuss the Company's financial results and general business operations at 9:30 AM New York time / 2:30 PM London time on Friday, May 12, 2006. The conference call will include a brief question and answer session with senior management. The conference call information is as follows:

Date: Friday, May 12, 2006

Time: 9:30 AM New York Time / 2:30 PM London Time

Dial-In Number from within the U.S.: +1-617-597-5326

Dial-In Number from within the U.K.: +44-20-7365-8426

Pass code: Mittal Steel

For individuals unable to participate in the conference call, a telephone replay will be available until May 17, 2006 at:

Replay Number from within the U.S.: +1 617 801 6888

Replay Number from within the U.K.: +44 20 7365 8427

Pass code: 14779875

A web cast of the conference call can also be accessed via www.mittalsteel.com and will be available for one week. Real Player or Windows Media Player will be required in order to access the web cast.

FIRST QUARTER 2006 EARNINGS MEDIA CONFERENCE CALL

Lakshmi N. Mittal, Chairman and Chief Executive Officer and Aditya Mittal, President and Chief Financial Officer will host a conference call for members of the media community to discuss the Company's financial results and general business operations at 12 PM London time on Friday, May 12, 2006. The conference call will include a brief question and answer session. The conference call information is as follows:

Date: Friday, May 12, 2006

Time: 12 PM London Time

Dial-In Number from within the U.S.: +1-617-614-2713

Dial-In Number from within the U.K.: +44-20-7365-8426

Pass code: Mittal Steel

For individuals unable to participate in the conference call, a telephone replay will be available until May 19, 2006 at:

Replay Number from within the U.S.: +1-617-801-6888

Replay Number from within the U.K.: +44-20-7365-8427

Pass code: 62274469

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For further information, visit our web site: www.mittalsteel.com, or call:

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MITTAL STEEL COMPANY N.V. REPORTS

FIRST QUARTER 2006 RESULTS

Mittal Steel Company N.V. (NYSE: MT; AEX: MT), net income for the three months ended March 31, 2006, was \$743 million or \$1.06 per share, as compared with net income of \$650 million or \$0.92 per share for the three months ended December 31, 2005, and \$1.1 billion or \$1.78 per share for the three months ended March 31, 2005.

Consolidated sales and operating income for the three months ended March 31, 2006, were \$8.4 billion and \$1.0 billion, respectively, as compared with \$7.1 billion and \$871 million, respectively, for the three months ended December 31, 2005, and as compared with \$6.4 billion and \$1.7 billion, respectively, for the three months ended March 31, 2005.

Total steel shipments¹ for the three months ended March 31, 2006, were 15.6 million tons as compared with 13.6 million tons for the three months ended December 31, 2005, and 10.4 million tons for the three months ended March 31, 2005.

Group inter-company transactions have been eliminated in financial consolidation. The financial information has been prepared based on accounting principles generally accepted in the United States of America (US GAAP).

Analysis of operations

The following analysis of operations includes Mittal Steel USA ISG Inc. (ISG), formerly International Steel Group, from April 15, 2005, and the results of Mittal Steel Kryviy Rih, formerly Kryvorizhstal (Ukraine), from November 26, 2005. As a result, prior period results are not entirely comparable.

Steel shipments in the three months ended March 31, 2006, were higher by 14% as compared with the three months ended December 31, 2005, primarily due to improved market conditions for our products and the consolidation of Mittal Steel Kryviy Rih for the full quarter (9% higher excluding Mittal Steel Kryviy Rih). Steel shipments for the three months ended March 31, 2006, were 50% higher as compared with the three months ended March 31, 2005, due to the inclusion of ISG and Mittal Steel Kryviy Rih (excluding ISG and Mittal Steel Kryviy Rih, shipments were flat).

Average selling prices in the three months ended March 31, 2006, remained flat as compared with the three months ended December 31, 2005 (2% higher excluding Mittal Steel Kryviy Rih). Average selling prices in the three months ended March 31, 2006, were lower by 9% as compared with the three months ended March 31, 2005 (13% lower excluding ISG and Mittal Steel Kryviy Rih).

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Average cost of sales (excluding depreciation) per ton during the three months ended March 31, 2006, remained flat as compared with the three months ended December 31, 2005 (3% higher excluding Mittal Steel Kryviy Rih). Average cost of sales (excluding depreciation) per ton during the three months ended March 31, 2006, was higher by 9% as compared with the three months ended March 31, 2005, primarily due to an increase in the cost of inputs (3% higher excluding ISG and Mittal Steel Kryviy Rih).

Selling, general and administrative expenses in the three months ended March 31, 2006, increased by 3% as compared with the three months ended December 31, 2005, primarily due to mergers and acquisition related expenses amounting to \$40 million.

Selling, general and administrative expenses in the three months ended March 31, 2006, increased by 15% as compared with the three months ended March 31, 2005, primarily due to the inclusion of ISG, Mittal Steel Kryviy Rih and mergers and acquisitions related expenses.

Other operating income for the three months ended March 31, 2006, was \$19 million which includes \$31 million of CO₂ emission sales in Europe. There was no other operating income for the three months ended December 31, 2005 and March 31, 2005.

¹ Total steel shipments include inter-company shipments.

Operating income for the three months ended March 31, 2006, was \$1.0 billion as compared with \$871 million for the three months ended December 31, 2005. Operating income for the three months ended March 31, 2005, was \$1.7 billion.

Other income (expense)-net for the three months ended March 31, 2006, was \$7 million as compared with \$27 million for the three months ended December 31, 2005. Other income (expense)-net for the three months ended March 31, 2005, was \$5 million.

Income from equity method investments for the three months ended March 31, 2006, was \$25 million as compared with \$3 million for the three months ended December 31, 2005, and \$15 million for the three months ended March 31, 2005. Income from equity method investments for the three months ended March 31, 2006, includes income from affiliates of our South African and Polish subsidiaries, and China (Hunan Valin).

Net interest expense at Mittal Steel Company N.V. for the three months ended March 31, 2006, increased to \$110 million as compared with \$91 million for the three months ended December 31, 2005, primarily due to the full quarter effect of interest on debt incurred to finance the Mittal Steel Kryviy Rih acquisition, as well as the increase in base interest rates. Net interest expense for the three months ended March 31, 2006, was higher as compared with \$33 million for the three months ended March 31, 2005, primarily due to the increased indebtedness relating to the acquisition of, and assumption of debt at, ISG and Mittal Steel Kryviy Rih.

Mittal Steel Company N.V.'s income tax expense for the three months ended March 31, 2006, amounted to \$116 million as compared with \$92 million for the three months ended December 31, 2005. The effective tax rate for the three months ended March 31, 2006, was 12% as compared with 11% for the three months ended December 31, 2005. The effective tax rate of 12% for three months ended March 31, 2006 is primarily due to the release of valuation allowances of \$107 million. Income tax expense for the three months ended March 31, 2005, amounted to \$397 million, with an effective tax rate of 23%.

Net income for the three months ended March 31, 2006, increased to \$743 million as compared with the three months ended December 31, 2005, of \$650 million. Net income for the three months ended March 31, 2006, was lower as compared with the three months ended March 31, 2005, of \$1.1 billion, owing to the reasons discussed above.

Americas

Total steel shipments in the Americas region were 6.8 million tons in the three months ended March 31, 2006, as compared with 6.2 million tons for the three months ended December 31, 2005, primarily due to improved market conditions for our products. Total steel shipments were higher in the three months ended March 31, 2006, as compared with 3.0 million tons for the three months ended March 31, 2005, primarily due to the inclusion of ISG. Excluding the impact of ISG, total steel shipments were lower in the three months ended March 31, 2006, at 2.8 million tons as compared with 3.0 million tons for the three months ended March 31, 2005.

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Sales were higher at \$4.1 billion for the three months ended March 31, 2006, as compared with \$3.7 billion for the three months ended December 31, 2005, due to improved market conditions. Sales were higher in the three months ended March 31, 2006, as compared with \$1.9 billion for the three months ended March 31, 2005, primarily due to the inclusion of ISG. Excluding the impact of ISG, sales were lower at \$1.5 billion in the three months ended March 31, 2006, as compared with \$1.9 billion for the three months ended March 31, 2005.

Operating income was higher at \$340 million for the three months ended March 31, 2006, as compared with \$225 million for the three months ended December 31, 2005, primarily due to higher volumes and higher average selling prices, partly offset by higher costs. Operating income for the three months ended March 31, 2006, was lower as compared with \$568 million for the three months ended March 31, 2005, primarily due to higher costs. Excluding the impact of ISG, operating income was lower at \$122 million for the three months ended March 31, 2006, as compared with \$568 million for the three months ended March 31, 2005.

Europe

Total steel shipments in the European region were 5.8 million tons for the three months ended March 31, 2006, as compared with 4.6 million tons for each of the three months ended December 31, 2005 and March 31, 2005. Excluding Mittal Steel Kryviy Rih, total steel shipments in the European region were 4.6 million tons for the three months ended March 31, 2006, as compared with 4.1 million tons for the three months ended December 31, 2005. (Mittal Steel Kryviy Rih was not included in the results for the three months ended March 31, 2005).

Sales were higher at \$2.9 billion in the three months ended March 31, 2006, as compared with \$2.0 billion for the three months ended December 31, 2005 and lower than \$3.0 billion for the three months ended March 31, 2005. Excluding Mittal Steel Kryviy Rih, sales were higher at \$2.5 billion in the three months ended March 31, 2006, as compared with \$1.8 billion for the three months ended December 31, 2005, due to improved market conditions.

Operating income was higher at \$344 million for the three months ended March 31, 2006 as compared with \$173 million for the three months ended December 31, 2005, primarily due to higher volumes, higher selling prices and lower costs. Operating income for the three months ended March 31, 2006 also includes \$56 million from the reduction of customer rebates. Excluding Mittal Steel Kryviy Rih, operating income was higher at \$284 million for the three months ended March 31, 2006, as compared with \$171 million for the three months ended December 31, 2005. Operating income for the three months ended March 31, 2006, was lower as compared with \$492 million for the three months ended March 31, 2005. Excluding Mittal Steel Kryviy Rih, operating income was lower at \$284 million for the three months ended March 31, 2006, as compared with \$492 million for the three months ended March 31, 2005.

Asia & Africa

Total steel shipments in the Asia & Africa region were 3.0 million tons in the three months ended March 31, 2006, as compared with 2.8 million tons for each of the three months ended December 31, 2005 and March 31, 2005.

Sales were higher at \$1.9 billion in the three months ended March 31, 2006, as compared with \$1.8 billion for the three months ended December 31, 2005. Sales were lower in the three months ended March 31, 2006, as compared with \$2.0 billion for the three months ended March 31, 2005.

Operating income was lower at \$282 million for the three months ended March 31, 2006, as compared with \$477 million for the three months ended December 31, 2005, primarily due to increased costs and lower selling prices, partly offset by higher shipments. Operating income for the three months ended March 31, 2006, was lower as compared with \$632 million for the three months ended March 31, 2005, for the same reasons.

Liquidity / Capital resources

The Company's liquidity position remains strong. As of March 31, 2006, the Company's cash and cash equivalents including restricted cash and short-term investments were \$2.2 billion (\$2.1 billion at December 31, 2005, and \$2.7 billion at March 31, 2005). In addition, the Company, including its operating subsidiaries, had available borrowing capacity of \$2.3 billion at March 31, 2006, as compared with \$1.5 billion at December 31, 2005. The increase in availability is mainly due to the Company's new five-year \$800 million Committed Multicurrency Letter of Credit and Guarantee Facility, which became effective in January 2006. The facility is being used by the Company and its subsidiaries for the issuance of letters of credit and financial guarantees.

As of March 31, 2006, net cash provided by operating activities was \$388 million, as compared with \$1.1 billion for the three months ended December 31, 2005, primarily due to the increase in accounts receivables, due to higher sales. Net working capital (inventory plus accounts receivable plus prepaid expenses minus accounts payable minus accrued expenses and other liabilities) increased by \$565 million. Excluding the working capital change as discussed above, the cash flow from operations would be \$953 million.

As of March 31, 2006 the Company's net debt (which includes long-term debt plus short-term debt less cash and cash equivalents, short term investments and restricted cash) remained flat as compared to December 31, 2005 at \$6.2 billion.

Capital expenditure during the three months ended March 31, 2006, was \$263 million as compared with \$416 million for the three months ended December 31, 2005, and \$205 million for the three months ended March 31, 2005.

Depreciation during the three months ended March 31, 2006, was \$287 million as compared with \$259 million for the three months ended December 31, 2005 (primarily due to inclusion of Mittal Steel Kryviy Rih results for a full three months). Depreciation during the three months ended March 31, 2006, was higher as compared with \$163 million for the three months ended March 31, 2005 (primarily due to inclusion of ISG and Mittal Steel Kryviy Rih).

As previously announced, Mittal Steel will pay a US\$ 0.125 quarterly dividend on June 15, 2006.

During the three months ended March 31, 2006, Mittal Steel paid interim dividends of \$136 million (including \$48 million of dividends paid to minority shareholders at Mittal Steel's South African subsidiary). During the three months ended December 31, 2005, Mittal Steel paid interim dividends of \$143 million.

On January 30, 2006, the Company entered into a \$5 billion (approximately \$6 billion) credit agreement with a group of lenders to finance the cash portion of the offer for Arcelor along with related transaction costs.

On January 30, 2006, the Company entered into a \$3 billion (approximately \$3.6 billion) credit agreement with the same group of lenders to refinance the debt incurred to finance the Mittal Steel Kryviy Rih acquisition.

On January 19, 2006, Moody's Investors Services affirmed Mittal Steel's Corporate Family Rating at Baa3 and upgraded Mittal Steel's senior unsecured rating to Baa3 from Ba1. At the same time, Moody's upgraded certain debt instruments issued by Ispat Inland and Mittal Steel USA ISG.

Following the announcement of Mittal Steel's offer for Arcelor, Moody's Investors Service placed Mittal Steel's Baa3 Corporate Family Rating, as well as the Ba1 ratings of the debt of its subsidiaries, on credit review for possible downgrade, and Standard & Poor's Rating Services placed its BBB+ long-term credit rating for Mittal Steel on credit watch with negative implications. Fitch has also placed Mittal Steel's credit rating on negative ratings watch.

Recent Developments

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On April 1, 2006, Ispat Inland ULC redeemed \$150 million of floating rate notes bearing interest at LIBOR plus 6.75% due April 1, 2010. The floating rate notes were redeemed at a price of 103.0% of the principal amount (the call premium of \$4.5 million has been included in the first quarter 2006 results).

On April 4, 2006, Mittal Steel signed a \$200 million loan agreement with the European Bank for Reconstruction and Development, for on lending to Mittal Steel Kryviy Rih. The loan has a maturity of seven years and bears interest based on LIBOR plus a margin based on a ratings grid.

On April 20, 2006, the Pension Benefit Guaranty Corporation (PBGC) converted the entire \$35 million outstanding principal amount plus accrued interest into 1,268,719 class A common shares of Mittal Steel.

On April 28, 2006, a fire halted production in one of the steelmaking shops at Mittal Steel USA Indiana Harbor facility in East Chicago, USA. The current assessment indicates that steel production will be down by approximately 200,000 tons. The damage to equipment and losses associated with business interruption in excess of the Company's deductible is expected to be covered by insurance. We expect our customer commitment to remain unaffected.

Outlook for second quarter 2006

For the second quarter of 2006 (as compared to the first quarter of 2006), we expect shipments to increase significantly, average selling prices to increase slightly, and cost of sales to remain flat. We expect operating income to increase at a rate higher than the first quarter 2006/fourth quarter 2005 increase.

MITTAL STEEL COMPANY N.V. CONSOLIDATED FINANCIAL & OTHER INFORMATION

MITTAL STEEL COMPANY N.V. CONSOLIDATED BALANCE SHEETS

In millions of US dollars	March 31, 2006 (Unaudited)	As of December 31, 2005 (Audited)	March 31, 2005 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,051	\$ 2,035	\$ 2,171
Restricted cash	85	100	560
Short-term investments	15	14	1
Trade accounts receivable net	2,957	2,287	2,085
Inventories	5,839	6,036	4,209
Prepaid expenses and other current assets	1,116	1,040	738
Deferred tax assets	174	200	246
Total Current Assets	12,237	11,712	10,010
Property, plant and equipment net	15,555	15,539	7,277
Investments in affiliates and joint ventures	1,178	1,187	682
Deferred tax assets	885	785	789
Goodwill and intangible assets	1,671	1,439	104
Other assets	357	380	311
Total Assets	\$31,883	\$31,042	\$19,173
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Payable to banks and current portion of long-term debt	\$ 376	\$ 334	\$ 369
Trade accounts payable	2,482	2,504	1,743
Dividend payable	-	-	1,375
Accrued expenses and other current liabilities	2,701	2,661	2,250
Deferred tax liabilities	140	116	32
Total Current Liabilities	5,699	5,615	5,769
Long-term debt, net of current portion	7,940	7,974	1,508
Deferred tax liabilities	1,445	1,602	928
Deferred employee benefits	2,634	2,506	1,936
Other long-term obligations	1,385	1,361	728
Total Liabilities	19,103	19,058	10,869
Minority Interest	1,904	1,834	1,719
Shareholders' Equity			
Common shares	60	60	59
Treasury stock	(110)	(111)	(117)
Additional paid-in capital	2,458	2,456	548
Retained earnings	8,543	7,891	5,886
Accumulated other comprehensive income (loss)	(75)	(146)	209
Total Shareholders' Equity	10,876	10,150	6,585
Total Liabilities and Shareholders' Equity	\$31,883	\$31,042	\$19,173

MITTAL STEEL COMPANY N.V. CONSOLIDATED FINANCIAL & OTHER INFORMATION

MITTAL STEEL COMPANY N.V. CONSOLIDATED STATEMENTS OF INCOME DATA & OTHER INFORMATION

Three Months Ended			
In millions of US dollars, except shares, per share and shipment data	March 31,	December 31,	311,225
	2006	\$	282,595 \$410,104

Note 3: Restructuring Activities

In May 2011, the Company ceased its Direct Sales business due to operating losses, declining revenues, and a change in strategic direction and migrated the remaining customers to Reach Local in exchange for receiving as payment for services, 10% and 5% percent of the gross revenues derived from such customers during the first and second year, respectively. The Company recorded \$213 and \$766 in revenues for this agreement during the three and nine months ended June 30, 2013, respectively and \$1,232 and \$5,687 for the three and nine months ended June 30, 2012, respectively.

Note 4: Stock-based Compensation

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

Stock Options

The following table summarizes stock option activity for the nine months ended June 30, 2013:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2012	—			
Granted	225,000	\$ 8.47		
Exercised	—			
Forfeited	—			
Outstanding at June 30, 2013	225,000	\$ 8.47	6.1	—
Exercisable at June 30, 2013	25,000	\$ 10.00	0.9	—
Exercisable at June 30, 2013 and expected to vest thereafter	202,500	\$ 8.47	6.1	—

The following assumptions were used to calculate weighted average fair values of the options granted in the nine months ended June 30, 2013:

Volatility	124%-127%
Risk-free interest rate	.08%-.66%
Expected term	1-3.77 years
Forfeiture rate	10%
Dividend yield rate	0%

The risk free interest rate was determined based on treasury securities with maturities that approximate the expected term of the underlying award.

The Company recognized compensation expense of \$75,190 and \$107,198 during the three and nine months ended June 30, 2013, respectively and \$13,154 and \$16,942 during the three and nine months ended June 30, 2012, respectively, related to stock option awards granted to certain employees and executives based on the grant date fair value of the awards, net of estimated forfeitures. The Company used the estimated forfeiture rate of awards of 10% based on actual forfeiture experience and other factors.

At June 30, 2013, the Company had \$333,944 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized over a weighted-average period of 1.9 years.

The following table summarizes information about the Company's non-vested shares as of June 30, 2013:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Non-vested Shares Nonvested at September 30, 2012	—	
Granted	200,000	\$ 2.18
Nonvested at June 30, 2013	200,000	\$ 2.18

Restricted Stock Awards

The Company has previously granted shares of restricted stock to certain individuals. The following table sets forth changes in compensation-related restricted stock awards during the nine months ended June 30, 2013:

Outstanding (unvested) at September 30, 2012	263
Granted	—
Forfeited	—
Vested	—
Outstanding (unvested) at June 30, 2013	263

Stock Awards Granted to Directors

In September 2011, in an effort to preserve cash, our Board, after consultation with the Compensation Committee, determined to compensate members of the Board for their monthly retainer and other services as directors and/or members of the Board's various standing committees through the award of shares of the Company's common stock under the Company's Amended and Restated 2003 Stock Plan (the "2003 Stock Plan") in lieu of cash payments to directors. Under the terms of this arrangement, each non-employee director receives a monthly award of a number of fully vested shares of the Company's common stock equal to their monthly board of director cash fees divided by the closing market price of the Company's common stock on the grant date. An aggregate of 83,495 shares have been issued to members of the Board of Directors pursuant to such arrangement. Other than as described immediately above, no shares of the Company's common stock were issued to members of the Board during the three and nine months ended June 30, 2013.

Note 5: Debt

On April 3, 2012 ("Closing Date"), the Company entered into a Note and Warrant Purchase Agreement ("Purchase Agreement") with Isaac Capital Group, LLC ("ICG") pursuant to which ICG agreed to purchase for cash up to \$2,000,000 in aggregate principal amount of the Company's unsecured Subordinated Convertible Notes ("Notes"). ICG is owned by Jon Isaac, the Company's President and Chief Executive Officer and a director on the Company's Board. Prior to this transaction, Mr. Isaac owned 403,225 shares, or 16.8% of the Company's outstanding common stock. The Purchase Agreement and the Notes, which are unsecured, provide that all amounts payable by the Company to ICG under the Notes will be due and payable on April 3, 2013 ("Maturity Date"), provided that the Company has the option in its discretion to extend the Maturity Date by up to one (1) year if no Event of Default (as defined in the Purchase Agreement) has occurred and is continuing, and the Company is in material compliance with its agreements and covenants under the Purchase Agreement and the Notes, as of the Maturity Date.

Effective as of April 3, 2012, the Company and ICG amended the Purchase Agreement to clarify ambiguities related to the warrant issuance timing and the conversion price of a Note, and to amend various anti-dilution features. These changes were consistent with the intent of the parties at the time they entered into the Purchase Agreement and are consistent with the Company's past practices related to the Notes and warrants. In particular, the amendment clarifies that the warrants will be issued upon conversion (rather than upon issuance) of the Notes and provides that the conversion price of a Note shall be based upon a floor price of \$1.00 per share, regardless if the Company's stock is trading below that amount at the time ICG elects to convert a Note.

The Purchase Agreement and the Notes, as amended, provide that:

- The Notes will accrue interest at an annual interest rate equal to 8%. All interest will be payable on the Maturity Date or upon the conversion of the applicable Note.

- The Company has the option to prepay each Note, in whole or in part, at any time without premium or penalty.

If ICG elects to convert all or any portion of any Note, the Company must issue to ICG on the date of the conversion a warrant ("Contingent Warrant") to purchase a number of shares of the Company's common stock equal to the number of shares issuable upon conversion. This number of shares is subject to adjustment in the event of stock splits or combinations, stock dividends, certain *pro rata* distributions, and certain fundamental transactions. Each Contingent Warrant will be exercisable for a period of five (5) years following the date of its issuance at an exercise price equal to 120% of the conversion price of the applicable Note (with the exercise price being subject to adjustment under the same conditions as the number of shares for which the warrant is exercisable.) The Contingent Warrants provide that they may be exercised in whole or in part and include a cashless exercise feature.

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

The Company may issue additional Notes in an aggregate principal amount of up to \$1,750,000 to ICG from time to time upon notice to ICG prior to April 3, 2013, provided that each Note must be in a principal amount of at least \$100,000.

The Company: (i) is required to provide certain financial and other information to ICG from time to time; (ii) must maintain its corporate existence, business, assets, properties, insurance and records in accordance with the requirements set forth in the Purchase Agreement; (iii) with certain exceptions, must not incur or suffer to exist any liens or other encumbrances with respect to the Company's property or assets; (iv) must not make certain loans or investments, except in compliance with the terms of the Purchase Agreement; and (v) must not enter into certain types of transactions, including dispositions of its assets or business.

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

The Company issued an initial Note in the principal amount of \$250,000 to ICG ("Note No. 1") on the Closing Date. Because the conversion price of \$2.53 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$166,667. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on the Closing Date. The discount to Note No. 1 is being amortized to interest expense until maturity or its earlier repayment or conversion

As mentioned above, the Purchase Agreement, as amended, contains contingent provisions for the adjustment of the conversion ratio and conversion price, and the issuance of Contingent Warrants upon conversion.

On September 10, 2012, ICG elected to convert the Note No. 1 with a conversion price of \$2.38 per share, resulting in the issuance of 109,139 shares. In accordance with the terms of the agreement, warrants to acquire 109,139 shares were issued upon conversion with an exercise price of (\$2.38 x 120%) \$2.85 per share. Upon conversion of Note No. 1, the remaining debt discount of \$97,222 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the debt conversion of Note No. 1 was \$322,927 and was immediately recognized as interest expense.

On December 11, 2012, the Company issued a second Note to ICG in the principal amount of \$250,000 ("Note No. 2"), pursuant to the Purchase Agreement. Because the conversion price of \$2.02 was less than the stock price, this gave

rise to a beneficial conversion feature valued at \$200,738. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on December 11, 2012. On December 17, 2012, ICG elected to convert Note No. 2, resulting in the issuance of 123,829 shares of the Company's common stock and a warrant to acquire 123,829 additional shares of the Company's common stock at an exercise price of \$2.43 per share. Upon conversion of the Note No. 2, the remaining debt discount of \$196,556 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the conversion of Note No. 2 was \$550,016 and was immediately recognized as interest expense.

On March 22, 2013 and March 25, 2013, the Company issued a third and fourth Note to ICG in the principal amount of \$500,000 ("Note No. 3") and \$250,000 ("Note No. 4"), respectively, pursuant to the Purchase Agreement. Because the conversion price of \$1.38 was less than the stock price, this gave rise to beneficial conversion features valued at \$401,386. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on March 25, 2013. On March 27, 2013, ICG elected to convert Note Nos. 3 and 4, resulting in the issuance of 543,962 shares of the Company's common stock and a warrant to acquire 543,962 additional shares of the Company's common stock at an exercise price of \$1.66 per share. Upon conversion of Note Nos. 3 and 4, the remaining debt discount of \$396,977 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the conversion of Note Nos. 3 and 4 was \$1,299,884 and was immediately recognized as interest expense.

On March 28, 2013, the Company issued a fifth Note to ICG in the principal amount of \$250,000 ("Note No. 5"), pursuant to the Purchase Agreement. Because the conversion price of \$1.40 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$250,000. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on March 28, 2013. On March 28, 2013, ICG elected to convert Note No. 5, resulting in the issuance of 178,572 additional shares of the Company's common stock and a warrant to acquire 178,572 shares at an exercise price of \$1.68 per share. Upon conversion of Note No. 5, the debt discount of 250,000 was immediately recognized as interest expense. The fair value of the warrants issued in connection with the conversion of Note No. 5 was \$589,442 and was immediately recognized as interest expense.

The Company intends to use the proceeds of all Notes issued in connection with the Purchase Agreement for working capital and other general corporate purposes.

Note 6: Equity

In September and December 2012 and March 2013, ICG elected to convert five Notes, resulting in the issuance of shares of the Company's common stock and warrants to acquire additional shares of the Company's common stock. See Note 5.

On March 20, 2013, the Company filed a Registration Statement on Form S-3 with the Securities and Exchange Commission (the "SEC"). On May 6, 2013, the Company filed an amendment to such Registration Statement on Form S-3 (as amended, the "Shelf Registration Statement"). Pursuant to the Shelf Registration Statement, which became effective May 16, 2013, the Company may offer and sell, from time to time in one or more offerings, any combination of common stock, preferred stock, debt securities, warrants, or units having a maximum aggregate offering price of \$10,000,000. The Company intends to use the net proceeds from any sale of securities covered by the Shelf Registration Statement and the prospectus contained therein for general corporate purposes.

Note 7: Warrants

As discussed in Note 6, the Company issued several Notes and converted them resulting in the issuance of warrants. The following table summarizes information about the Company's warrants at June 30, 2013:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at September 30, 2012	109,139	\$ 2.85	4.95	253,202
Granted	846,363	1.78		
Exercised	—	—		
Outstanding at June 30,	955,502	\$ 1.90	4.64	784,037

2013

Exerciseable

at June 30, 955,502 \$ 1.90 4.64 784,037

2013

The warrants were valued using the Black-Scholes pricing model with the following assumptions:

Volatility	121%-127%
Risk-free interest rate	.74% -.89%
Expected term	5 years
Forfeiture rate	0%
Dividend yield rate	0%

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Loss from continuing operations	\$(511,464)	\$(289,714)	\$(4,789,403)	\$(744,154)
Less: preferred stock dividends	(479)	(479)	(1,438)	(1,438)
Loss from continuing operations applicable to common stock	(511,943)	(290,193)	(4,790,841)	(745,592)
Income (loss) from discontinued operations	295	7,944	2,708	11,753
Net loss applicable to common stock	\$(511,648)	\$(282,249)	\$(4,788,133)	\$(733,839)
Weighted average common shares outstanding - basic and diluted	3,437,736	2,402,168	2,914,898	1,928,589
Earnings per share - basic and diluted:				
Loss from continuing operations	\$(0.15)	\$(0.12)	\$(1.64)	\$(0.39)
Discontinued operations	0.00	—	0.00	0.01
Net loss	\$(0.15)	\$(0.12)	\$(1.64)	\$(0.38)

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Options to purchase shares of common stock	225,000	10,526	225,000	10,526
Warrants to purchase shares of common stock	955,502	98,971	955,502	98,971
Series E convertible preferred stock	127,840	127,840	127,840	127,840
Shares of non-vested restricted stock	263	1,342	263	1,342
Total potentially dilutive shares	1,308,605	238,679	1,308,605	238,679

Note 9: Income Taxes

At June 30, 2013, the Company maintained a valuation allowance against its deferred tax assets. The Company determined this valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to the Company's ability to generate sufficient profits from its new business model.

During the three and nine months ended June 30, 2013, 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

Litigation

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of June 30, 2013, our annual results of operations, cash flows or liquidity of the Company.

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

On June 6, 2008, Global Education Services, Inc., which the Company refers to as “GES,” filed a consumer fraud lawsuit against us in the King County Superior Court in the State of Washington, alleging that our use of activator checks violated the Washington Consumer Protection Act and seeking class certification pursuant to Washington law. GES sought injunctive relief against our use of activator checks, damages in an amount equal to three times the damages allegedly sustained by the members of the putative class, exemplary damages for the alleged violation of law, and its fees and costs. The Company denied the allegations of the complaint and commenced defending the litigation.

Early in 2010, the Court denied both parties’ dispositive motions, at which time they commenced settlement discussions. The parties reached a settlement and entered into a settlement agreement on or about November 5, 2012. The settlement agreement provides for \$150,000 to be paid to plaintiff’s counsel, \$10,000 to be paid to GES as the “representative plaintiff” and \$70 to be paid to each eligible putative class member who properly submits a claims form and does not opt out of the settlement. The Court granted final approval of the settlement on April 26, 2013. The Court’s order will become final when the time to appeal expires on May 27, 2013. Notice to class members has been sent and the time for the submission of claims has expired. We anticipate that the required payments will be made during the third quarter of the Company’s fiscal year. The Company paid \$60,000 in the third quarter. As of June 30, 2013, the Company maintains an accrual of \$100,000 related to this matter.

Sunpark 2000 LLC vs. Telco Billing, Inc.

On September 26, 2012, Sunpark 2000 LLC (“Sunpark”) filed a lawsuit against Telco Billing Inc., a subsidiary of the Company (“TBI”), before the Eighth Judicial District Court (Clark County) of the State of Nevada. The complaint alleged that TBI breached a lease agreement with Sunpark dated August 15, 2007, which by its terms leased approximately 12,635 square feet of commercial real property in Las Vegas, Nevada to TBI from November 1, 2007 until December 31, 2012. Sunpark sought lost rent damages of approximately \$357,503 and repair expenses in excess of \$2,500. TBI denied the pertinent allegations of the complaint and asserted numerous affirmative defenses. On January 14, 2013, the parties settled this matter for a payment by the Company to Sunpark in the amount of \$112,500 and Sunpark’s retention of a \$24,000 security deposit under the lease agreement. The settlement payment has been made and an Order for Dismissal with prejudice was entered by the Court on January 31, 2013.

Employment Agreements

On February 14, 2013, the Company entered into an employment agreement with Jon Isaac, pursuant to which he will continue serving as its President and Chief Executive Officer for the period from January 1, 2013 to January 1, 2016.

The material terms of the employment agreement are as follows:

- 200,000 annual base salary throughout the term of the agreement
- Eligibility to receive performance-based bonuses in the sole discretion of the Company's Compensation Committee. A one-time discretionary bonus of \$150,000 for services performed as President and Chief Executive Officer for the previous 12 months, to be paid in cash on or before March 31, 2013. This bonus was approved by the Company's Compensation Committee.
- Reimbursement for reasonable housing expenses.
- Grant of options to purchase 150,000 shares of the Company's common stock, subject to continued employment on the applicable vesting dates and the other terms and conditions summarized below:
 - o 50,000 shares will vest on the first anniversary of the date of grant and be exercisable for five years after vesting at an exercise price of \$5.00 per share.
 - o 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 13 months after the date of grant and ending on the second anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$7.50 per share.
 - o 50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 25 months after the date of grant and ending on the third anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$10.00 per share.

See Note 4 for stock option details.

Operating Leases and Service Contracts

As of June 30, 2013, future minimum annual payments under operating lease agreements for fiscal years ending September 30 are as follows:

2013	43,768
2014	180,065
2015	140,616
2016	51,833
2017	—
Thereafter	—
	\$416,282

Note 11: Concentration of Credit Risk

The Company maintains cash balances at banks in California and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution as of June 30, 2013. At times, balances may exceed federally insured limits.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC (defined below) billing areas across the United States. The Company historically has experienced significant dilution and customer credits due to billing difficulties and uncollectible trade accounts receivable. The Company estimates and provides an allowance for uncollectible accounts receivable. The handling and processing of cash receipts pertaining to trade accounts receivable is maintained primarily by three third-party billing companies. The Company is dependent upon these billing companies for collection of its accounts receivable. The billing companies and LEC's charge fees for their services, which are netted against the gross accounts receivable balance. The billing companies also apply holdbacks to the remittances for potentially uncollectible accounts. These amounts will vary due to numerous factors and the Company may not be certain as to the actual amounts on any specific billing submittal until several months after that submittal. The Company estimates the amount of these charges and holdbacks based on historical experience and subsequent information received from the billing companies. The Company also estimates uncollectible account balances and provides an allowance for such estimates. The billing companies retain certain holdbacks that may not be collected by the Company for a period extending beyond one year. Additionally, certain other billings' channels consisting of billings submitted to LEC Processors through third parties were discontinued. As such, a significant portion of the receivables at June 30, 2013 and September 30, 2012 pertaining to LEC service providers represent the holdbacks described above.

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 45%, 24% and 18% of gross receivables at June 30, 2013 and 35%, 27%, and 15% of gross receivables at September 30, 2012, respectively.

Note 12: Segment Reporting

After discontinuing the Company’s Direct Sales business as described in Note 3, as of June 30, 2013, the Company only operated one business segment. All of the Company’s revenues are with external customers, are derived 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 December 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, (“ASU 2011-11”). ASU 2011-11 requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective disclosure is required for all comparative periods presented. This ASU is effective for reporting periods beginning on or after January 1, 2013. Our adoption of ASU 2011-11 on January 1, 2013, did not have a material impact on our financial statement.

In January 2013, the FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements originally established by ASU 2011-11. The new ASU addresses preparer concerns that the scope of the disclosure requirements under ASU 2011-11 was overly broad and imposed unintended costs that were not commensurate with estimated benefits to financial statement users. In choosing to narrow the scope of the offsetting disclosures, the FASB determined that it could make them more operable and cost effective for preparers while still giving financial statement users sufficient information to analyze the most significant presentation differences between financial statements prepared in accordance with U.S. GAAP and those prepared under IFRSs. Like ASU 2011-11, the amendments in this update will be effective for fiscal periods beginning on, or after January 1, 2013. The adoption of ASU 2013-01 has not had a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU No. 2012-03, *Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22* (“ASU 2012-03”). This update was issued in order to codify various amendments and corrections included in SEC Staff Accounting Bulletin No. 114, SEC Release 33-9250, and ASU 2010-22, Accounting for Various Topics: Technical Corrections to SEC Paragraphs. The amendments and corrections included in this update are effective upon issuance. The adoption of ASU 2012-03 did not have an impact on the Company’s condensed consolidated financial statements.

In October 2012, the FASB issued ASU No. 2012-04, *Technical Corrections and Improvements*, (“ASU 2012-04”). This update includes source literature amendments, guidance clarification, reference corrections and relocated guidance affecting a variety of topics in the Codification. The update also includes conforming amendments to the Codification to reflect ASC 820’s fair value measurement and disclosure requirements. The amendments in this update that will not have transition guidance are effective upon issuance. The amendments in this update that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012. This ASU is effective for reporting periods beginning on or after January 1, 2013. Our adoption of ASU 2011-11 on January 1, 2013, did not have a material impact our financial statement.

Note 14: Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. For the three and nine months ended June 30, 2013, the Company had a net loss of \$511,169 and \$4,786,695 as compared to a net loss of \$281,770 and \$732,401 for the three and nine months ended June 30, 2012. These circumstances result in substantial doubt as to the Company's ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon the Company's ability to generate sufficient revenues to operate profitably or raise additional capital through debt financing and/or through sales of common stock. The failure to achieve the necessary levels of profitability and obtain the additional funding would be detrimental to the Company. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

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, 2013, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Note About Forward-Looking Statements

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

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, 2012 under Item 1A "Risk Factors", as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

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

Our Company

Our Company

LiveDeal, Inc., which, together with its subsidiaries, we refer to as the Company, LiveDeal, “we”, “us” or “our”, provides online customer acquisition services for small-to-medium sized local businesses, or “SMBs”. We offer affordable tools for SMBs to extend their marketing reach to relevant prospective customers via the internet. We also provide SMBs promotional marketing with the ability to offer special deals and activities through our online publishing partners.

Our principal offices are located at 6240 McLeod Drive, Suite 120, Las Vegas, Nevada 89120. Our telephone number is (702) 939-0230. Our corporate website (which does not form part of this Report) is located at www.livedeal.com. Our common stock trades on the NASDAQ Capital Market under the symbol “LIVE”.

Summary Business Description

We provide marketing solutions that boost customer awareness and merchant visibility on the internet. We recently launched two new business lines under new management after a period of re-evaluating our sales program, products, distribution methods and vendor programs. In November 2012, we commenced the sale of marketing tools that help local businesses manage their online presence under our Velocity LocalTM brand, which we refer to as online presence marketing. In August 2012, we commenced sourcing local deal and activities to strategic publishing partners under our LiveDeal[®] brand, which we refer to as promotional marketing. We continue to actively develop, revise and evaluate these products and services and our marketing strategies and procedures.

As these business lines were launched in August 2012 and November 2012, respectively, the results have at this juncture not had a material impact on our revenues for our fiscal year 2012 or the three and nine months ended June 30, 2013. We continue to generate most of our revenue from servicing our existing customers under our legacy product offerings, primarily our InstantProfile[®] line of products and services. Because of the change in our business strategy and product lines, we no longer accept new customers under our legacy product offerings.

Changes in Business Strategies

We have been engaged in a significant re-evaluation of and adjustment to our business strategy over the last several years. The focus of these efforts has been twofold: (i) to make our product offerings more appealing in the evolving market for assisting SMBs with their online marketing challenges; and (ii) to move ahead of our competitors in this market segment. In connection with this re-evaluation, we terminated all new sales under our direct sales business line on December 1, 2010, and on July 15, 2011, we discontinued all new sales of our InstantProfile® product. As a result of the cessation of our marketing efforts to acquire new customers under our direct sales business, and the attrition of existing customers, our net revenues have continued to decline, from \$777,857 and \$2,450,971 for the three and nine months ended June 30, 2012, respectively, to \$606,867 and \$1,734,486 for the three and nine months ended June 30, 2013, respectively.

In March 2010, we evaluated our business and adopted a new business strategy that addressed each of our business segments as separate entities and re-launched and restructured our legacy line of business. This evaluation was necessitated by the challenges facing our direct sales business lines that provide internet-based customer acquisition strategies for SMBs, as well as declining revenues from our traditional business line (i.e. directory services). Additionally, current economic and regulatory forces, both general and specific to our industry, impacted our consideration of our existing business model and strategy.

As a result, we decided during the second quarter of fiscal 2010 to move our strategic focus towards our directory services business and to bring it up to current market standards and regulatory requirements and away from our direct sales business line. This strategy culminated in the termination of all new sales under our direct sales business line on December 1, 2010. In March 2011, we made the strategic decision to discontinue our direct sales business and product offerings, and in May 2011, we transferred the remaining customers to Reach Local in exchange for 10% and 5% percent of gross revenues derived from such customers during the first and second year, respectively.

Our strategic focus then switched to delivering a suite of internet-based, local search driven, customer acquisition services for SMBs, sold via telemarketing using LEC billing channels as well as other billing channels and targeting all segments of the SMB market through our Velocity Marketing Concepts, Inc. subsidiary. We paused new Velocity sales on July 15, 2011 while we re-evaluated our current and future sales programs.

While we continue to generate most of our revenue from servicing our existing customers under our legacy product offerings, primarily our InstantProfile® line of products and services, because of the changes in our business strategy and product lines, we no longer accept new customers for these products.

Changes in Principal Officers and Directors

On December 12, 2011, we entered into a Securities Purchase Agreement with each of Isaac Capital Group LLC, or ICG, John Kocmur, Kingston Diversified Holdings LLC, or Kingston, and two other investors, pursuant to the Securities Purchase Agreement, on December 12, 2011, our Board increased the number of authorized directors of the Company to eight directors and appointed Jon Isaac, the owner of ICG, Tony Isaac, the father of Jon Isaac, and John Kocmur to fill the vacancies created by the increase in the size of the full Board. These directors were designated for appointment to our Board by the Lead Purchasers in accordance with their rights under the Securities Purchase Agreement described above.

On January 13, 2012, our Board terminated the employment of Kevin Hall, our Chief Executive Officer, effective as of January 20, 2012.

On or about January 20, 2012, Mr. Hall and Sheryle Bolton resigned as members of our Board, and on January 25, 2012, our Board appointed Dennis Gao as a director to fill the vacancy created by Ms. Bolton's resignation. We are not planning to replace Mr. Hall's position.

On May 20, 2012, the employment of Larry M. Tomsic, the Company's Chief Financial Officer, was terminated. We currently utilize outside consultants to help perform the duties of the Chief Financial Officer and Controller. Currently, Jon Isaac is functioning as our Principal Financial Officer.

Effective as of January 20, 2012, the Company appointed Jon Isaac to serve as its Chief Executive Officer and the President. Although the Company did not enter into a written employment agreement with Mr. Isaac, he was paid an annual salary of \$1 for his services as the Company's Chief Executive Officer and President and was eligible to receive bonuses in such forms and amounts as determined by the Company's Compensation Committee.

On February 14, 2013, the Company entered into a written Employment Agreement with Mr. Isaac (the “Agreement”), pursuant to which he will continue serving as its Chief Executive Officer and President for the period from January 1, 2013 to January 1, 2016. The material terms of the Agreement are as follows:

- \$200,000 annual base salary throughout the term of the Agreement;
- Eligibility to receive performance-based bonuses in the sole discretion of the Company’s Compensation Committee;

A one-time discretionary bonus of \$150,000 for services performed as President and Chief Executive Officer for the previous 12 months, to be paid in cash on or before March 31, 2013. This bonus was approved by the Company’s Compensation Committee;

- Reimbursement for reasonable housing expenses; and

Grant of options to purchase 150,000 shares of the Company’s common stock, subject to continued employment on the applicable vesting dates and the other terms and conditions summarized below:

50,000 shares will vest on the first anniversary of the date of grant and be exercisable for five years after vesting at an exercise price of \$5.00 per share;

50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 13 months after the date of grant and ending on the second anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$7.50 per share; and

50,000 shares will vest in 12 equal monthly installments, beginning on the date that is 25 months after the date of grant and ending on the third anniversary of the date of grant, and be exercisable for five years after vesting at an exercise price of \$10.00 per share

On May 2, 2013, Tom Clarke resigned as a member of our board of directors. We are not planning to replace him.

Current Business Strategy

We have continued the process of evaluating our business strategy and cutting costs. In August 2012, we commenced sourcing local deals and activities to strategic publishing partners under our LiveDeal® brand, which we refer to as

promotional marketing. In November 2012, we commenced the sale of marketing tools that help local businesses manage their online presence under our Velocity Local™ brand, which we refer to as “online presence marketing.” We continue to actively develop, revise and evaluate these products and services and our marketing strategies and procedures.

In connection with our new promotional marketing business line, on August 16, 2012, we completed our acquisition of substantially all of the assets of LiveOpenly, Inc., a California corporation, which we refer to as “LiveOpenly.” We acquired assets utilized in connection with the business of LiveOpenly, which sourced, published and sold discounted offers for goods and services through local retail merchants. Under the terms of the asset acquisition, we acquired LiveOpenly’s sourcing contracts, software, customer lists, trademarks, domain names and related assets in exchange for the issuance of 75,000 shares of our common stock. In connection with this acquisition, the Company recorded \$420,000 of net assets, consisting entirely of intangible assets. No goodwill was recognized as the purchase price equaled the net assets received. In connection with this acquisition, we engaged Ejimofor Umenyiora, the former Director of Sales of LiveOpenly, as an independent contractor.

Because of the infancy of our new lines of business, we have yet to generate significant revenue from our online presence marketing or our promotional marketing lines of business. Given that we have not been accepting new customers for our legacy product offerings since July 2011 and that we did not launch our new product offerings until August 2012, our revenues have declined in the three and nine months ending June 30, 2013 as compared to three and nine months ending June 30, 2012.

Results of Operations

The following sets forth a discussion of our financial results for the three and nine months ended June 30, 2013 as compared to the three and nine months ended June 30, 2012. In evaluating our business, management reviews several key performance indicators including new customers, total customers in each line of business, revenues per customer, and customer retention rates. However, given the changing nature of our business strategy, we do not believe that presentation of these metrics would reveal any meaningful trends in our operations that are not otherwise apparent from the discussion of our financial results below.

Net Revenues

	Net Revenues			
	2013	2012	Change	Percent
Three Months Ended June 30,				
Nine Months Ended June 30,				
	\$606,867	\$777,857	\$(170,990)	(22)%
	\$1,734,486	\$2,450,971	\$(716,485)	(29)%

Net revenues decreased in the third quarter and the first nine months of fiscal 2013 as compared to the third quarter and the first nine months of fiscal 2012 primarily due to the decrease in legacy revenues, which was slightly offset by increases in revenues for the online presence marketing product.

Cost of Services

	Cost of Services			
	2013	2012	Change	Percent
Three Months Ended June 30,				
	\$178,921	\$108,661	\$70,260	65%
	\$398,470	\$571,088	\$(172,618)	(30)%

Nine
Months
Ended
June 30,

Cost of services increased in the third quarter of 2013 compared to the third quarter of 2012 primarily due to fulfillment costs on new products. Cost of services decreased in the first nine months of fiscal 2013 as compared to the first nine months of 2012 primarily due to decreased costs associated with the decline in the number of our customers and the provisioning of fulfillment services, which are now done by us rather than outside vendors.

Gross Profit

	Gross Profit			
	2013	2012	Change	Percent
Three Months Ended June 30,	\$427,946	\$669,196	\$ (241,250)	(36)%
Nine Months Ended June 30,	\$1,336,016	\$1,879,883	\$ (543,867)	(29)%

Gross profit decreased in the third quarter and first nine months of fiscal 2013 as compared to the third quarter and first nine months of fiscal 2012 primarily due to the decreased cost of fulfillment services and decrease in revenues as described above.

General and Administrative Expenses

	General and Administrative Expenses			
	2013	2012	Change	Percent
Three Months Ended June 30,	\$925,658	\$742,353	\$183,305	25%
Nine Months Ended June 30,	\$2,919,565	\$2,330,595	\$588,970	25%

General and administrative expenses increased in three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to the following:

- Increased compensation costs of \$150,067 due to the opening of the call center in October of 2012.
- Increased depreciation and amortization expense of \$9,514 related to purchase of assets relating to staffing growth.

· Increased professional fees of \$36,912 related to:

· Decrease in legal fees of \$549, due to litigation settlement,

· Increase in marketing consultant fees of \$443 due to corporate marketing,

· Increase in IT consultant fees of \$12,909, due to costs for developers and programmers,

· Increase in accounting fees of \$3,600 due to increased audit fees,

· Increase in other miscellaneous consultant costs of \$20,509, due to use of accounting, sales and marketing consultants.

Other expense decreases of \$13,188, including 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.

General and administrative expenses increased in the first nine months of fiscal 2013 as compared to the first nine months of fiscal 2012 primarily due to the following:

- Increased compensation costs of approximately \$675,608 due to the opening of the call center in October of 2012.
- Increased depreciation and amortization expense of \$1,481 related to assets being fully depreciated.

· Increased professional fees of \$160,166 related to:

Increase in legal fees of \$28,928 due to litigation settlement,

Increase in marketing consultant fees of \$2,538, due to corporate marketing,

Increase in accounting fees of \$61,892 primarily due to increased audit fees,

Increase in other miscellaneous consultant costs of \$67,564, due to use of accounting and sales and marketing consultants,

Decrease in IT consultant fees of \$756, due to change in developers and programmers.

Other expense decreases of \$248,285, including 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.

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

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Compensation for employees, leased employees, officers and directors	528,767	726,137	436,062	242,490	378,700
Professional fees	147,618	248,663	234,799	254,549	110,706
Depreciation and amortization	65,183	65,073	63,566	67,635	55,669
Other general and administrative costs	184,090	191,658	27,947	244,740	347,278

Sales and Marketing Expenses

	Sales and Marketing Expenses			
	2013	2012	Change	Percent
Three Months Ended June 30,				
	\$14,159	\$1,712	\$12,447	727%
Nine Months Ended June 30,				
	\$40,766	\$2,291	\$38,475	1679%

Sales and marketing expensed increased in the third quarter of 2013 compared to the third quarter of 2012 primarily due to corporate marketing. Sales and marketing increased in the first nine months of fiscal 2013 as compared to the first nine months of 2012 primarily due to costs of approximately \$17,000 related to the production of a promotional video.

Operating Loss

	Operating Loss			
	2013	2012	Change	Percent
Three Months Ended June 30,				
	\$(511,871)	\$(74,869)	\$(437,002)	(584)%
Nine Months Ended June 30,				
	\$(1,624,315)	\$(453,003)	\$(1,171,312)	(259)%

The increase in operating loss for the third quarter and first nine months of fiscal 2013 as compared to the third quarter and first nine months of fiscal 2012 reflect a variety of changes in net revenues, cost of services, general and administrative expenses and sales and marketing expenses, each of which is described above.

Total Other Income (Expense)

	Total Other Income (Expense)			
	2013	2012	Change	Percent
Three Months Ended June 30,	\$407	\$(214,845)	\$215,252	(100)%
Nine Months Ended June 30,	\$(3,165,088)	\$(291,151)	\$(2,873,937)	987%

The large increase in other income (expense) is primarily due to interest expense relating to the issuance of debt and the conversion of the Notes to warrants in December 2012 and March 2013. See Note 5 for more discussion.

Net Loss

	Net Loss			
	2013	2012	Change	Percent
Three Months Ended June 30,	\$(511,169)	\$(281,770)	\$(229,399)	(81)%
Nine Months Ended June 30,	\$(4,786,695)	\$(732,401)	\$(4,054,294)	(554)%

The increase in net loss for the third quarter and the first nine months of fiscal 2013, as compared to the third quarter and the first nine months of 2012, is primarily attributable to changes in operating income, other income (expense) and discontinued operations, each of which is described above.

Liquidity and Capital Resources

Net cash used in operating activities was \$1,400,894 for the first nine months of fiscal 2013 as compared to cash provided by operating activities of \$130,160 for the first nine months of fiscal 2012. This change was due to an increase of \$4,054,294 in our net loss partially offset by an increase of non-cash expenses of \$3,399,405 which included \$3,291,466 of interest expense associated with convertible debt and warrants, depreciation expense, stock compensation and bad debt expense. Changes in working capital and other current assets caused a decrease in operating cash flows of \$844,074 during the first nine months of fiscal 2013 as compared to an increase in operating cash flows of \$469,000 for the first nine months of fiscal 2012. This working capital variance resulted primarily from the changes in accounts receivable, accounts payable and accrued liabilities. 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.

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.

Our cash flows used in investing activities during the first nine months of fiscal 2013 consisted of \$79,401 of expenditures for intangible assets and \$41,833 of purchases of equipment. Our cash flows used in investing activities during the first nine months of fiscal 2012 consisted of \$201,627 of expenditures for intangible assets and \$676 of purchases of equipment.

During the first nine months of fiscal 2013, our cash flows from financing activities consisted of \$1,250,000 received from the issuance of convertible debt and warrants. During the first nine months of fiscal 2012, our cash flows from financing activities consisted of \$2,350,000 received from the issuance of stock to investors and \$250,000 received from the issuance of convertible debt, partially offset by \$36,992 of payments on capital lease obligations and \$1,000,000 of repayments of notes payable.

We had working capital of \$533,744 as of June 30, 2013 compared to \$370,780 as of September 30, 2012 with current assets decreasing by \$367,110 and current liabilities decreasing by \$530,074 from September 30, 2012 to June 30, 2013. Such changes in working capital are primarily attributable to the increase in our operating net loss and the results of our financing activities.

On March 20, 2013, the Company filed a Registration Statement on Form S-3 (File No. 333-187397) with the Securities and Exchange Commission (the "SEC"). On May 6, 2013, the Company filed an amendment to such Registration Statement on Form S-3 (as amended, the "Shelf Registration Statement"). Pursuant to the Shelf Registration Statement, which became effective on May 16, 2013, the Company may offer and sell, from time to time

in one or more offerings, any combination of common stock, preferred stock, debt securities, warrants, or units having a maximum aggregate offering price of \$10,000,000. Except as otherwise provided in the applicable prospectus supplement, the Company intends to use the net proceeds from any sale of securities covered by the Shelf Registration Statement and the prospectus contained therein for general corporate purposes, which may include (without limitation) working capital, capital expenditures, research and development expenditures, and acquisitions of new technologies or businesses. The precise amount, use and timing of the application of such proceeds would depend upon the Company's funding requirements and the availability and cost of other capital. No securities of the Company will be offered or sold unless and until: (i) the SEC declares the Shelf Registration Statement to be effective; and (ii) the Company files with the SEC and makes available to investors a prospectus supplement containing the specific terms of the securities to be offered and sold.

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

Contractual Obligations

The following table summarizes our contractual obligations consisting of operating lease agreements at June 30, 2013 and the effect such obligations are expected to have on our future liquidity and cash flows:

2013	43,768
2014	180,065
2015	140,616
2016	51,833
2017	—
Thereafter	—
	\$416,282

Off-Balance Sheet Arrangements

At June 30, 2013, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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 (our principal executive officer and principal 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 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, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting. There have been no changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended June 30, 2013 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of June 30, 2013, our annual results of operations or cash flows, or our liquidity.

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

On June 6, 2008, Global Education Services, Inc., which we refer to as "GES," filed a consumer fraud lawsuit against us in the King County Superior Court in the State of Washington, alleging that our use of activator checks violated the Washington Consumer Protection Act and seeking class certification pursuant to Washington law. GES sought injunctive relief against our use of activator checks, damages in an amount equal to three times the damages allegedly sustained by the members of the putative class, exemplary damages for the alleged violation of law and its fees and costs. We denied the allegations of the complaint and commenced defending the litigation.

Early in 2010, the Court denied both parties' dispositive motions, at which time they commenced settlement discussions. The parties reached a settlement and entered into a settlement agreement on or about November 5, 2012. The settlement agreement provides for \$150,000 to be paid to plaintiff's counsel, \$10,000 to be paid to GES as the "representative plaintiff" and \$70 to be paid to each eligible putative class member who properly submits a claims form and does not opt out of the settlement. The Court granted final approval of the settlement on April 26, 2013. The Court's order will become final when the time to appeal expires on May 27, 2013. Notice to class members has been sent and the time for the submission of claims has expired. We anticipate that the required payments will be made during the third quarter of the Company's fiscal year. The Company paid \$60,000 in the third quarter. As of June 30, 2013, the Company maintains an accrual of \$100,000 related to this matter.

Sunpark 2000 LLC vs. Telco Billing, Inc.

On September 26, 2012, Sunpark 2000 LLC (“Sunpark”) filed a lawsuit against Telco Billing Inc., a subsidiary of ours (“TBI”), before the Eighth Judicial District Court (Clark County) of the State of Nevada. The complaint alleged that TBI breached a lease agreement with Sunpark dated August 15, 2007, which by its terms leased approximately 12,635 square feet of commercial real property in Las Vegas, Nevada to TBI from November 1, 2007 until December 31, 2012. Sunpark sought lost rent damages of approximately \$357,503 and repair expenses in excess of \$2,500. TBI filed an answer to the complaint denying the pertinent allegations of the complaint and asserting numerous affirmative defenses. On January 14, 2013, the parties settled this matter for a payment by the Company to Sunpark in the amount of \$112,500 and Sunpark’s retention of a \$24,000 security deposit under the lease agreement. The settlement payment has been made and an Order for Dismissal with prejudice was entered by the Court on January 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are being filed herewith:

Exhibit Number Description

31	Certification of Jon Isaac pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Section 1350 Certification of Jon Isaac
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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 13, 2013 /s/ Jon Isaac
Jon Isaac
Chief
Executive
Officer,
President and
Chief
Financial
Officer

(Principal
Executive
Officer and
Principal
Financial
Officer)

