

Snapshot

August 28, 2012



Online
Local Media
Company

Local Corporation provides digital marketing solutions that link local merchants with online consumers. The Company generates revenues primarily through an ad-supported model. In the second quarter 2012, 79% of sales stemmed from **pay-per-click†** advertising, 9% from subscriptions (direct customers), and 12% from **display ads**. Over the past five years, the firm has grown from a single website (www.local.com) to an online media business powering multiple proprietary websites (e.g., www.krillion.com and www.spreebird.com) and approximately 1,200 **regional media sites**. In 2011, the Company expanded and diversified via several strategic acquisitions while deploying new features and functionalities for its existing channels. Local Corporation has expertise in helping small businesses develop and maintain a sophisticated online presence in order to be easily found by consumers, both on their own web properties and on major search engines. Its platform includes **rich media ad creative**, local business directory and product search technologies, mobile capabilities, **search engine optimization (SEO)**, web hosting, **social media** services, daily deals, and a loyalty/rewards program, among other products and services.

Corporate Headquarters

Financial Data

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Ticker (Exchange)	LOCM (NASDAQ)
Recent Price (08/28/2012)	\$1.95
52-week Range	\$1.94 - \$3.25
Shares Outstanding*	~22.09 million
Market Capitalization	~\$43.1 million
Average 3-month Volume	68,925
Insider Owners + >5%	<1%
Institutional Owners	10%
EPS (Qtr. ended 06/30/2012)	(\$0.42)
Adj. EPS (Qtr. ended 06/30/2012)	\$0.02
Employees**	227



* As of July 31, 2012.
** As of December 31, 2011.

Key Points



Local Business
Search and Directory

Local Product Search

Daily Deals Business

- The Company's websites and content are designed to attract visitors who are searching online for local products or businesses. Local Corporation has generally found that such visitors are highly valued by merchants and advertisers as they are thought to be further along in the buying process and more likely to turn into a buying customer. It is estimated that 80% of consumer spending occurs within 20 miles of the home.
- Local Corporation currently reaches an estimated one million consumers daily. Today, **organic traffic** represents roughly 40% of the Company's web visitors to its own sites and to the **white-label** directories provided by Local Corporation to its regional media partners.
- Local Corporation's second quarter 2012 revenues were over \$27 million, up 75% from the year-ago period. The Company achieved record traffic levels and strong monetization of that traffic—two key performance indicators for its business. Previously, from 2006 to 2010, Local Corporation achieved revenue growth of 492%, ranking the Company 191st on Deloitte & Touche LLP's Technology Fast 500™ list and 12th on the *Orange County Business Journal* list of fastest-growing public companies.
- The Company holds 9 issued U.S. patents and 11 pending patent applications relating to localized shopping data, rich media, and various processes for paid-search and other **cost-per-action** advertising.
- Local Corporation's leadership is skilled in online advertising, business development, digital media, sales, and technology. It is growing its telesales force to support increased direct-to-business sales.
- As of June 30, 2012, Local Corporation's cash position was approximately \$7.1 million.

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Investment Highlights

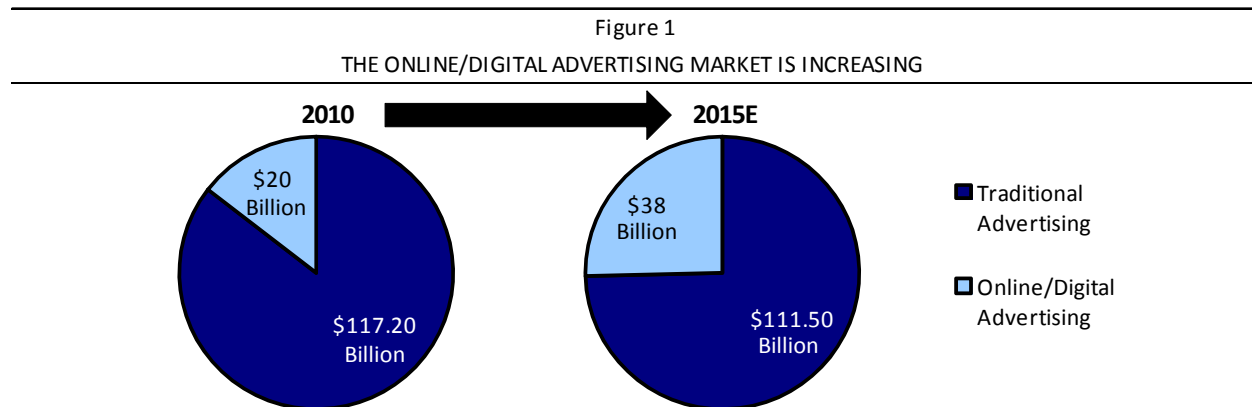
- Local Corporation (the registered trade name of Local.com Corporation) is a local media company operating at the intersection of consumer demand for local products and services and advertiser demand to reach those consumers.
- Consumers today rely on the Internet and mobile devices to find products and services while decreasing the use of traditional offline information searches (such as Yellow Page listings). The Internet is estimated to influence over \$1 trillion of in-store sales. Roughly 86% of in-store shoppers use search engines to gather information for a purchase decision (Source: GroupM Search's *From Intent to In-Store: Search's Role in the New Retail Shopper Profile*, October 2011).
 - An increasing number of these searches are for local businesses, products, and services. Currently, roughly 20% of searches on Google.com are related to location. The proportion of local searches is even higher on mobile devices, representing 40% to 50% of all searches.
- As a result, in 2010, digital advertising accounted for \$20 billion, or 14.6% of the \$137.2 billion advertising industry in the U.S. By 2015, online sources are expected to represent \$38 billion, or 25.4% of all advertising.
- Local Corporation's websites and networks provide consumers with robust, current information about nearby businesses and other offerings in their local area, attracting a targeted and desirable audience for local advertisers. Collectively, the Company's websites and those it operates on behalf of its partners reach over one million **unique visitors** daily.
 - Local Corporation is focused on expanding the portion of website traffic obtained organically through effective search engine optimization (SEO), which has a higher profit margin than website traffic acquired from other search engines. Today, organic traffic represents roughly 40% of the Company's traffic, and Local Corporation ultimately aims to achieve an equal ratio of organic and paid-for traffic.
- Local Corporation monetizes website traffic by incorporating paid advertisements onto its websites. These ads are often provided by major ad partners, such as Google Inc. (GOOG-NASDAQ), Yahoo! Inc. (YHOO-NASDAQ), SuperMedia LLC (SPMD-NASDAQ), and YP Holdings (formerly AT&T Interactive), which seek to gain access to the Company's local search traffic on behalf of their own advertisers. Monetization of Local Corporation's site traffic was \$299 per thousand visitors in the second quarter 2012.
- The Company has demonstrated an ability to adapt to significant changes across the industry. After facing challenges as a result of the Yahoo!/Bing alliance in the first half of 2011, Local Corporation diversified its ad revenue sources among its major advertising partners (adding Google as a partner) and incorporating new proprietary products to its portfolio, with second quarter 2012 revenues up 75% year over year.
- Local Corporation is focused on decreasing its dependence on search marketing revenues by expanding its portfolio of digital media products and services (internally and through acquisitions) and emphasizing direct-to-customer sales with an expanded internal sales force (versus reaching local merchants through partners).
- Market research firm comScore, Inc. (www.comscore.com [SCOR-NASDAQ]) estimated that 88 million mobile subscribers accessed local content on mobile devices in September 2011, a 28% increase over the year-ago period (Source: BIA/Kelsey, December 14, 2011). Addressing this large and expanding market, Local Corporation has launched a number of mobile sites and apps for its websites as well as those of its customers (for more than 19 million unique mobile visitors during the second quarter 2012—a 350% increase over the year-ago period). Local Corporation plans to expand its mobile offerings in the third quarter 2012.
- Local Corporation's management team has expertise in online advertising, digital media, technology, sales, and business development. In 2011, Local Corporation's chairman and CEO, Heath Clarke, received the *Orange County Business Journal's* Excellence in Entrepreneurship Award and was selected as a finalist for the Ernst & Young Entrepreneur of the Year® 2011 Orange County award.

Executive Overview

Local Corporation (or “the Company”) is a media company that specializes in connecting local merchants with consumers through its vast online ecosystem, generating revenue primarily through an ad-supported model. In five years, the Company has grown from a single website (www.local.com), which operates as a local business directory and search engine, to a full online media business with a broad portfolio of products for consumers, small and medium-sized businesses (SMBs), **channel partners**, and national brands, among others. With 492% revenue growth from 2006 to 2010, Local Corporation was ranked 191st on Deloitte & Touche LLP’s Technology Fast 500™ and 12th on the *Orange County Business Journal*’s list of fastest-growing public companies.

Local Corporation Operates in a Growing Market for Online Advertising and Local Product Searches

Consumers are increasingly relying on the Internet and mobile devices to find products and services. Consequently, the use of traditional offline information for product searches, such as print Yellow Page listings and newspaper ads, is decreasing. As a result of this shift in consumer behavior, local businesses are gradually moving from traditional offline print marketing to online digital advertising, which essentially entails any form of advertising that appears on the Internet (e.g., search engine listings, banner ads, online classified advertising, or rich media ads that display video and interactive content). Consequently, the market for online advertising—Local Corporation’s target industry—is expanding and is likely to continue to do so for the coming years. In 2010, digital advertising was valued at approximately \$20 billion, or 14.6% of the roughly \$137.2 billion advertising industry in the U.S. This market could expand to \$38 billion, or 25.4% of the U.S. advertising industry, by 2015 (as illustrated in Figure 1) (Source: Local Corporation citing BIA/Kelsey data).



Source: Local Corporation citing BIA/Kelsey data.

Within This Market, Consumers Are Increasingly Searching for Localized Goods

Group M Search (www.groupm.com), the search marketing division of the global advertising agency WPP plc (WPPGY-NASDAQ), estimates that the Internet influences over \$1 trillion of in-store sales, with search being the leading influencer. A recent study conducted by Group M Search showed that 86% of in-store shoppers use search engines to gather information for a purchase decision (Source: GroupM Search’s *From Intent to In-Store: Search’s Role in the New Retail Shopper Profile*, October 2011).

Consumers employ “local search” to find products/services using geographically targeted search parameters, such as a specific zip code or city name. On the Internet, local searches can be performed by visiting a search engine (e.g., Google, Yahoo!, or Bing) and appending geographical **keywords** to search terms, such as “Italian restaurant in New York City,” as well as using local business directory sites and search engines (e.g., Google Maps, Yahoo! Local, Local.com, among others) to locate business services in a particular zip code. Approximately 20% of searches on Google.com are related to location (Source: Google, Inc.’s “Google Places Stats & Facts”). On mobile devices,

Google has reported that the percentage of local searches is even higher, reaching roughly 40% of all searches, while Microsoft Corp. (MSFT-NASDAQ) has reported that over 50% of mobile searches on its Bing search engine are local in nature.

In May 2011, the local media and advertising advisory firm BIA/Kelsey (www.biakelsey.com) stated that it expected the U.S. local search market to grow to \$8.2 billion by 2015, up from \$5.1 billion in 2010 (Source: BIA/Kelsey press release, May 18, 2011). Data collected by BIA/Kelsey also suggested significant growth in local display advertising, from \$2.1 billion in 2010 to \$4.9 billion by 2015 (Source: Local Corporation). Local search entails text-based advertisements on search engines (targeted by keyword and a user's location) that are displayed after a search is performed by a user, including sponsored pay-per-click ads above and on the sides of the search results. In contrast, local display advertisements, though also based on a user's location, frequently incorporate both images and text (e.g., banner ads) for greater visual appeal.

Local Search Traffic is Valuable

Local search traffic is highly valuable for advertisers as consumers searching for local products or services are believed to be further along in the buying process and tend to convert into buying customers at a higher rate than other types of Internet users. As such, advertisers are often willing to pay more to reach these consumers. For example, as of June 25, 2012, advertisers bid \$1.93 per click (known as the "click bid") for advertising space on Google for "San Francisco restaurant" searches versus bids of \$1.39 per click for "restaurant" alone. Similarly, the click bid for "plumber Los Angeles" was \$26.91, a significant increase over "plumber," which was \$9.55 per click. Thus, anecdotal evidence suggests that advertisers are willing to invest significantly more to reach a local searcher, who has a greater tendency to convert into a buying customer. Moreover, it is widely estimated that 80% of consumer spending occurs within 20 miles of the home, further validating the importance of targeting consumers locally. As such, both national brands with local brick and mortar storefronts as well as local SMBs are increasingly engaging in and competing for advertising opportunities that enable the promotion of products and services within a certain geographical area.




Local Corporation's ecosystem is positioned to capitalize on the trend toward local search by targeting and supporting local search traffic. Following an aggressive acquisition strategy in 2011, the Company now possesses a broad range of products and services designed for advertisers to reach consumers on a local level while also enabling Local Corporation to broaden its reach to include new types of advertisers, including ad networks, big box retailers, and national brands, among others. The Company believes that its search results and local content—delivered via its proprietary websites and network partner websites—provide several key benefits to local advertisers and consumers, as summarized below.

- Local Corporation offers over 12 million local business listings as well as large quantities of local content, which are used across the Company's properties as well as in Yellow Page-style business listings on third-party regional media sites (e.g., local news websites).
- The Company provides advertisers with access to the desirable "household manager" demographic (generally women ages 25 to 45 with one or more children) that has shown to be responsible for the majority of household purchases.
- Local Corporation has targeted **search advertising**, which delivers more relevant information to consumers who are actively seeking local businesses, products, and services.

Product Portfolio

The Company’s product and service portfolio is divided into three categories as summarized in Figure 2 and described in greater detail on pages 17-29: (1) Consumer Properties; (2) Local Business Solutions; and (3) Media Solutions. The Company has a large online footprint, with approximately one million visitors daily to the Local.com website, its other proprietary websites, and over 1,200 regional media sites that utilize Local Corporation’s business directory listings. Local Corporation’s web properties are designed to attract online consumers seeking nearby products, businesses, and services—an audience that is desirable to the Company’s direct advertisers and partners—by providing current information about local businesses and their offerings.

Figure 2
LOCAL CORPORATION'S PRODUCT PORTFOLIO BY CATEGORY

		
Consumer Properties	Business Solutions	Media Services
Connecting consumers with the local businesses, products, and services they seek	Enabling local businesses to target those consumers with digital media products	Enabling publishers and agencies to participate in the local media revolution via the Company's platform
30 million+ unique visitors monthly	24,000 SMB Subscribers	100 Publishers, Agencies
Local Businesses, Products, & Services	Digital Media Suite	Platform Solutions
Local.com Krillion.com Spreebird.com 1,200+ Site Network	Subscription, Cost Per Thousand (CPM), and Performance Pricing Web Hosting, Social Media, SEO, Search, Display, Mobile, Daily Deals, and more	Private Label Search and Digital Media Products Production Creative Services

Source: Local Corporation.

Generating Traffic to Local Corporation’s Listings

It is estimated that approximately 40% of Local.com’s traffic is organic, indicating that it is derived through effective search engine optimization (SEO) strategies, which include webpage keyword optimization. The remaining 60% of traffic is derived from actively marketing Local.com through **search engine marketing (SEM)** or “paid search” efforts. The Company considers **organic search** to be a more valuable traffic source in the long term versus paid search (in which a competitor can simply bid more for sought-after keywords), and has accordingly focused on increasing its share of traffic derived through organic search. Ultimately, Local Corporation aims to obtain an equal ratio of organic and paid-for traffic.

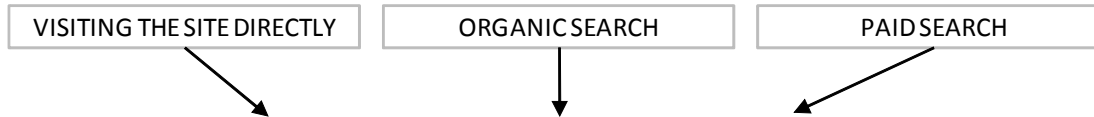
Monetizing Traffic

Local Corporation monetizes its website traffic by incorporating paid advertisements onto its pages, whereby the Company can earn revenue per **click-through**, customer call, lead, or banner ad, among other measurable data. A selection of ad products deployed on the Local.com site is overviewed in Figure 3 (page 7). Monetization of Local.com’s site traffic during the second quarter 2012 was \$299 per thousand visitors.

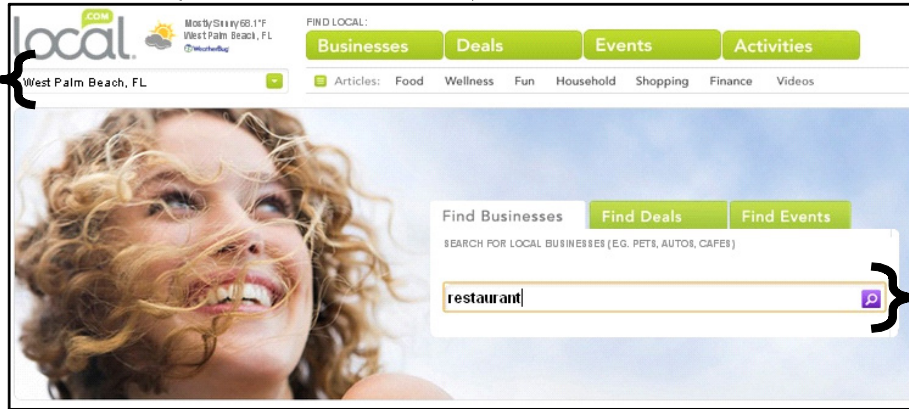
Figure 3 (page 7) illustrates pay-per-click ads displayed on the Local.com website. In this case, an SMB or ad agency pays Google or another partner to display ads on relevant, third-party local websites, such as Local.com. The advertiser pays Google each time its ad is clicked. Local Corporation receives a portion of this fee for displaying the ad on its site.

Figure 3
OVERVIEW OF THE LOCAL.COM BUSINESS DIRECTORY AND FEATURES

Local Search users can arrive at the Local.com website in one of the following ways:



The website detects a user's location by their IP address



Website visitors type in a keyword to perform a search in Local.com's directory of local businesses, deals, events, and activities

Once a search is performed, the user is directed to a page of relevant search results and advertisements...

Locally targeted display ad

Sponsored (paid) ad supplied by one of Local.com's advertising partners

Local business customer reviews

Keyword and location-targeted pay-per-click ads shown on Local.com (provided by Google) after a user searched for "restaurants" near "West Palm Beach, FL"

Featured listings for relevant local businesses that pay a monthly subscription for premium placement

Organic, non-paid search results ordered by relevancy using Keyword DNA™ technology

Source: Local.com, April 1, 2012.

Expanding and Diversifying its Product Portfolio through Acquisitions

Local Corporation aims to differentiate itself from other online media companies by assembling a unique portfolio of complementary advertising products that can be marketed to a variety of consumers, regional media publishers, and local merchants. In 2010 and 2011, Local Corporation took steps to expand its portfolio of proprietary products and technologies, thereby diversifying revenue sources beyond search marketing while maintaining a focus on local listings. The Company achieved this by acquiring a number of assets and companies over the past several years. For example, a 2010 acquisition of the assets of Octane360 included a patent-pending technology platform that provided Local Corporation with the technological capabilities to build a product suite of integrated web, social, mobile, and SEO services designed to help SMBs expand their online presence. Branded Exact Match™ (<http://exactmatch.local.com>), these services are sold to more than 800 SMBs, and Local Corporation has aggressive plans to add new services to the SMB product bundle in order to provide greater value to customers. The basic package currently retails for \$249.

Similarly, in 2011, Local Corporation acquired the Screamin Media Group, Inc., through which the Company is now able to provide a daily deals business with group-buying of discounted daily deals (branded Spreebird™ [www.spreebird.com]). The Company also acquired Krillion, Inc. and its robust local product search platform that enables consumers to search for product pricing, availability, and other information at local retailers.

These acquisitions have helped Local Corporation diversify its revenue sources, which are summarized in Figure 4. As well, they enable the Company to offer a wider range of digital media solutions for SMBs, channel partners, and national brands—creating new opportunities for long-term relationships with partners and customers. These investments have already been utilized to launch multiple new products and services under the Local Corporation brand with additional products in development, including a loyalty program and a new mobile product to help users find national brands at local stores.

Figure 4

SOURCES OF REVENUE FOR THE LOCAL.COM WEBSITE AND NETWORK

- | | | |
|--|------------------------------------|------------------------|
| ▪ Click-throughs on sponsored listings | ▪ Banner ads | ▪ Web hosting services |
| ▪ Calls to cost-per-call advertiser listings | ▪ Subscription advertiser listings | ▪ Daily deal offerings |
| ▪ Lead generation | ▪ Domain sales and services | |

Source: Local Corporation.

Awards and Recognition

Local Corporation has received a number of awards and recognitions for its achievements. In 2007, research and consulting firm Borrell Associates, Inc. (www.borrellassociates.com) recognized Local Corporation as a leader in online advertising revenue growth. In 2009, the Company was ranked the 10th largest search engine in the U.S. by the Nielsen Company and named one of the top three fastest-growing local online advertising companies in North America by Borrell Associates. Local Corporation's strategic acquisitions and organic growth placed the Company 406th on Deloitte & Touche's Technology Fast 500™ in 2010. The Company significantly improved its ranking in 2011 (ranked 191st) after achieving 492% revenue growth from 2006 to 2010. Local Corporation was also ranked 12th on the *Orange County Business Journal's* list of fastest-growing public companies in 2011. Local Corporation's management has been invited to participate in a number of industry events, including BIA/Kelsey's Interactive Local Media conferences in Boston and San Francisco, the Adotas Off-Duty: Spring Fling Digital Marketing Event in New York City, the BOLO 2011 Digital Media Conference in Scottsdale, Arizona, and Digital Hollywood in Marina del Rey, California.

Corporate Information

The Company was incorporated in Delaware in 1999 as eWorld Commerce Corp. Its first products included a downloadable local search software application for consumers, a web-based search engine, and patent-pending Keyword DNA™ technology designed to greatly improve the relevance of local search results. After an initial public offering (IPO) in 2004, the Company acquired the Local.com **domain name** and launched its own local search site in 2005, becoming Local.com Corporation. The site experienced rapid growth early on and, by July 2006, was the 79th most-visited site in the U.S. In 2007, the Company acquired PremierGuide and became one of the largest private-label local search networks in the U.S.

Local Corporation is headquartered in Irvine, California, with supporting offices in El Segundo, California, and Boston, Massachusetts. As of December 31, 2011, Local Corporation had 227 full-time employees, including 29 in R&D, 150 in sales and marketing, 6 in cost of revenues, and 42 in general and administration. The Company tripled its sales force to 70 individuals in 2011 to accommodate direct-to-customer sales, and expects to continue increasing its telesales force through year-end 2012.

Local Corporation's Common Stock is traded on the NASDAQ Capital Market under the symbol "LOCM." The Company's corporate structure is divided into three business units—Owned and Operated (O&O), Network, and Sales and Advertiser Services (SAS)—which are summarized on pages 32-33.

Growth Strategy

Local Corporation's growth strategy entails nurturing the following key drivers of its business: (1) traffic; (2) technology; and (3) advertisers.

Increasing Traffic

The Company is focused on increasing long-term organic traffic to its websites by adding content that is useful to its local search visitors, launching new verticals, and incorporating new and existing brands, products, and services that target its core "household manager" demographic. The Company expects this strategy to increase high-margin traffic sources over time, including direct and organic search traffic, while reducing reliance on lower-margin traffic via paid ads on other search engines. Local Corporation may also develop or acquire new websites or partner with companies that have existing local websites to increase its online reach.

Capitalizing on New and Existing Technologies

Local Corporation is focused on continually adding new products to its portfolio of media solutions as part of a broader effort to diversify its revenue sources and reduce its dependence on search marketing over time. The Company believes that its diverse product portfolio differentiates it from many competitors, which often specialize in one or two services. The Company achieves this through a combination of internal development and strategic acquisitions of complementary businesses and technologies. In August 2011, Local Corporation secured a \$12 million revolving credit facility from Square 1 Bank to support potential acquisitions and to fund strategic growth initiatives.

The Company may explore opportunities to improve product and content offerings for its network partners, similar to the Octane360 acquisition in 2010 that resulted in the Exact Match product suite (summarized on pages 23-25), which, as of the second quarter 2012, services over 800 SMB customers. After expanding its sales team to 70 individuals in 2011, the Company is focused on growing its Exact Match customer base in 2012 and beyond through direct sales and by developing additional relationships through which these products can be sold. The Company is also focused on expanding services offered within the Exact Match portfolio.

In addition, Local Corporation believes that it is still in the early stages of exploring opportunities from its daily deal and Krillion investments, particularly how they could interact with one another. For example, Local Corporation could utilize local product data from Krillion with its Spreebird daily deals business to notify consumers when there is a significant sale or discount on a certain local product. As an example, the system could notify a consumer via email when a Samsung TV sold locally was on sale for 30% off or more. In addition to its history of rapidly launching new products, the Company believes that this feature could significantly differentiate Local Corporation in the daily deals sector since, to its knowledge, no major daily deal businesses (e.g., Groupon Inc. [GRPN-NASDAQ] or LivingSocial, Inc.) currently offer this functionality.

Adding Value for Advertisers

The Company aims to continue increasing its value to advertisers by growing proprietary as well as third-party local search traffic and distribution. Local Corporation further seeks to improve the monetization of its traffic to advertisers, including by adding new local advertising products, while capitalizing on this higher monetization to compete for expanded distribution.

Intellectual Property

Local Corporation provides consumers with relevant search results for local businesses, products, and services through various patented and proprietary search technologies and systems, such as the Company’s paid-search advertising model and its search and advertising platforms. Local Corporation’s intellectual property portfolio includes nine issued U.S. patents (as listed in Figure 5). As well, Local Corporation has 11 pending patent applications relating to localized shopping data, rich media, and various processes for paid-search and other cost-per-event advertising models in different environments. The Company protects its intellectual property through patents, trademarks, copyrights, and trade secrets, as well as confidentiality agreements and technical measures, and plans to continue expanding its patent portfolio.

Figure 5
ISSUED U.S. PATENTS

Patent Title	Issue Date	Expiration Date*
Methods and systems for a dynamic networked commerce architecture	June 13, 2006	Feb. 26, 2023
Methods and systems for enhanced directory assistance using wireless messaging protocols	April 3, 2007	May 25, 2024
Methods and apparatus of indexing web pages of a web site for geographical searching based on user location	June 12, 2007	May 3, 2025
Methods and systems for enhanced directory assistance services in a telecommunications network	Sept. 29, 2009	Jan. 3, 2026
Methods and systems for enhanced directory assistance using wireless messaging protocols	May 11, 2010	Dec. 8, 2023
Methods and apparatus providing local search engine	Oct. 26, 2010	Jan. 25, 2026
System and method for generating a search query using a category menu	Feb. 15, 2011	Dec. 4, 2023
System for providing localized shopping information	Oct. 4, 2011	May 5, 2030
Search engine and indexing techniques	May 8, 2012	June 20, 2027

*Determined based on patent term adjustment as calculated by the U.S. Patent and Trademark Office (USPTO)

Source: Local Corporation.

Most recently, in October 2011, Local Corporation was granted U.S. Patent No. 8,032,427, entitled “System for providing localized shopping information,” which covers a system that provides online local shopping information for specific products sold based on a user’s location and proximity, as well as supports the display of relevant advertising. The Company believes that the patent, originally obtained through the Krillion acquisition (overviewed on pages 20-21), represents important intellectual property in this space as consumers increasingly use mobile devices and apps to research products before purchasing from local merchants at brick-and-mortar stores.

Trademarks

The Company holds registered U.S. trademarks for Local.com, Spreebird, Krillion, Keyword DNA, Local Promote, Local Connect, and Pay Per Connect, among others. Local Corporation has stated that it expects to pursue additional trademarks in the U.S.

Company Leadership

Executive Management Team

Local Corporation's management team is experienced in online advertising, digital media, technology, sales, and business development. In 2011, the Company strengthened its leadership team by acquiring key individuals with expertise in new areas of business in line with its corporate acquisitions during the year. Figure 6 summarizes Local Corporation's key management, followed by detailed biographies.

Figure 6
EXECUTIVE MANAGEMENT TEAM AT LOCAL CORPORATION

Heath Clarke	Chairman and Chief Executive Officer
Michael Sawtell	President and Chief Operating Officer
Kenneth Cragun	Chief Financial Officer and Secretary
Peter Hutto	Senior Vice President, Corporate Development
Malcolm Lewis	Senior Vice President and General Manager, Social Buying
Erick Herring	Senior Vice President of Technology

Source: Local Corporation.

Heath Clarke, Chairman and Chief Executive Officer

Mr. Clarke joined Local Corporation as president and chairman in March 1999 and has served as chief executive officer (CEO) since January 2001. From 1998 to 1999, Mr. Clarke was vice president of eCommerce for LanguageForce, Inc., a language translation software company. Previously, he served as marketing manager for Starnet, a Canadian Internet company. From 1995 to 1998, Mr. Clarke was special projects director for the Berg Group of Companies (Australia) and, from 1988 to 1995, he was founder and CEO of Australian Fibre Packaging. Mr. Clarke was a finalist for the Ernst & Young Entrepreneur of the Year® award, won TechAmerica's Innovator Award, and was named Outstanding CEO at TechAmerica's 2010 Annual Orange County High-Tech Innovation Awards. As well, in March 2011, he received the *Orange County Business Journal's* Excellence in Entrepreneurship Award for leading Local Corporation to a 50% average compound annual growth rate, top ranking in the directory search segment, and for securing a number of high-profile partnerships with major media networks from 2009 to 2010 during a challenging economy. Mr. Clarke is a frequent guest speaker at local search and online advertising industry events and is also a guest lecturer for online advertising at Pepperdine University's Executive MBA program. Mr. Clarke co-chaired events on the global economy and counter-terrorism as a member of Young Presidents' Organization, and is a patron councilor of the Atlantic Council, a patron of the American Enterprise Institute, a President's Club member of the Heritage Foundation, a President's Council member of the Foundation for Economic Education, and a member of the Ludwig von Mises Institute.

Michael Sawtell, President and Chief Operating Officer

Mr. Sawtell has over 20 years of operational leadership experience with public and private companies. Most recently, he was named senior vice president and general manager of Local Corporation's Sales and Advertiser Services business unit. Mr. Sawtell is the founder and former CEO of DigitalPost Interactive Inc., an online digital media company and parent company of the Rovion business, which was acquired by Local Corporation in April 2011. He was also founder of TheFamilyPost.com, an award-winning family media sharing platform, as well as the founder of WebsitesforHeroes.com, a digital media platform used by thousands of soldiers in Iraq and Afghanistan. Prior to starting DigitalPost, Mr. Sawtell was the president and chief operating officer (COO) of Local Corporation from 2000 until 2005, where he was instrumental in preparing the company for its IPO in October 2004. Mr. Sawtell previously held key management positions at Northrop Grumman Corp. (NOC-NYSE) and General Dynamics Corp. (GD-NYSE).

Kenneth Cragun, Chief Financial Officer and Secretary

Mr. Cragun has over 20 years of senior-level financial experience, and most recently served as Local Corporation's interim CFO. Prior to being interim CFO, he has served as the Company's vice president of finance since April 2009. He also served as CFO for Modtech Holdings, Inc., a modular building manufacturer. Prior to Modtech, Mr. Cragun served as the senior vice president and principal accounting officer for MIVA, Inc. At MIVA, Mr. Cragun led the company through significant organic and M&A growth, increasing revenue from \$45 million to \$200 million. He has also served as CFO for other public and online companies. Mr. Cragun earned a certified public accountant (CPA) designation in California and has experience working for a **Big Four** accounting firm. He received a B.S. in accounting from Colorado State University-Pueblo.

Peter Hutto, Senior Vice President, Corporate Development

Mr. Hutto brings an extensive background in sales and business development to the Local Corporation management team. Most recently, he was co-founder and vice president of business development and marketing for ZeroDegrees, an online business social networking company, which he sold to IAC (IACI-NASDAQ) in 2004. Mr. Hutto has also held senior principal and general manager roles with several consulting firms and was the managing director, southwest area executive for Electronic Data Systems (EDS) and MCI Systemhouse (acquired by EDS), where he was an integral member of the leadership team that grew the business from \$400 million to over \$1.5 billion in revenue. Mr. Hutto graduated from the University of North Carolina, Chapel Hill with a B.A. in political science.

Malcolm Lewis, Senior Vice President and General Manager, Social Buying

Mr. Lewis has over 20 years of experience building businesses for public and private companies in the consumer Internet and enterprise software industries. Most recently, he founded Fablistic, a personalized social recommendations service, which helps users find new things to do and places to go based on recommendations from other users with similar tastes and interests. Prior to Fablistic, Mr. Lewis served as Local Corporation's senior vice president and general manager of private label following the 2007 acquisition of his local search company, PremierGuide. Mr. Lewis previously built PremierGuide from the ground up into the leading private label local search solution for local media companies. Over the next two years following the acquisition, he transformed the business into a highly profitable entity, growing revenues over 800% to approximately \$8 million. Prior to joining Local Corporation in 2007, Mr. Lewis held senior management positions at various technology companies, including Vayusphere Inc., Vitria Technology, Inc., and Oracle Corp. (ORCL-NASDAQ).

Erick Herring, Senior Vice President of Technology

Mr. Herring has more than 15 years of senior-level technology experience and, most recently, was the founder of daily deals company, Townloop LLC. Previously, Mr. Herring was chief technology officer (CTO) and vice president of product for online feedback site, Feedback.com. Prior to Feedback.com, he also served as CTO of Adapt Technologies, Inc., which was acquired by WebVisible, where he became CTO and vice president of product. Mr. Herring also held key management positions at Zenith Insurance Company and Digital Evolution.

Board of Directors

The Board of Directors oversees the conduct of and supervises the Company's management. Figure 7 provides a summary of Board members, followed by detailed biographies.

Figure 7
LOCAL CORPORATION'S BOARD OF DIRECTORS

Heath Clarke	Chairman and Chief Executive Officer
Norman K. Farra Jr.	Lead Independent Director
Philip K. Fricke	Independent Director
John E. Rehfeld	Independent Director

Source: Local Corporation.

Heath Clarke, Chairman and Chief Executive Officer

Biography provided on page 12.

Norman K. Farra Jr., Lead Independent Director

Mr. Farra has served as a director since August 2005 and as the Company's lead independent director, responsible for overseeing the independence of the Board, since November 2011. Since January 2012, he has been a managing director, investment banking for Aegis Capital, Inc. From December 2009 to December 2011, Mr. Farra served as managing director, investment banking for R.F. Lafferty and Co., Inc. From May 2008 to December 2009, he served as director, investment banking for Cresta Capital Strategies, LLC, an investment banking firm. From September 2007 to May 2008, he was an independent financial consultant. From August 2006 to September 2007, Mr. Farra served as managing director of investment banking for GunnAllen Financial, Inc. From June 2001 to August 2006, he was independent contractor acting as managing director of investment banking for GunnAllen Financial. In the past five years, Mr. Farra has held no other public company directorships. Mr. Farra received a B.S. in business administration from Widener University.

Philip K. Fricke, Independent Director

Mr. Fricke has served as a director since October 2003. He is currently president of PKF Financial Consultants Inc., a closely held company he founded in March 2001 that provides financial communications services and advisory services to public and private companies. In the past five years, Mr. Fricke has held one other public company directorship with MI Developments Inc. (from August 2003 to May 2009). Mr. Fricke received a B.A. and a Master of Arts in psychology, as well as an MBA in finance and economics from Fairleigh Dickinson University.

John E. Rehfeld, Independent Director

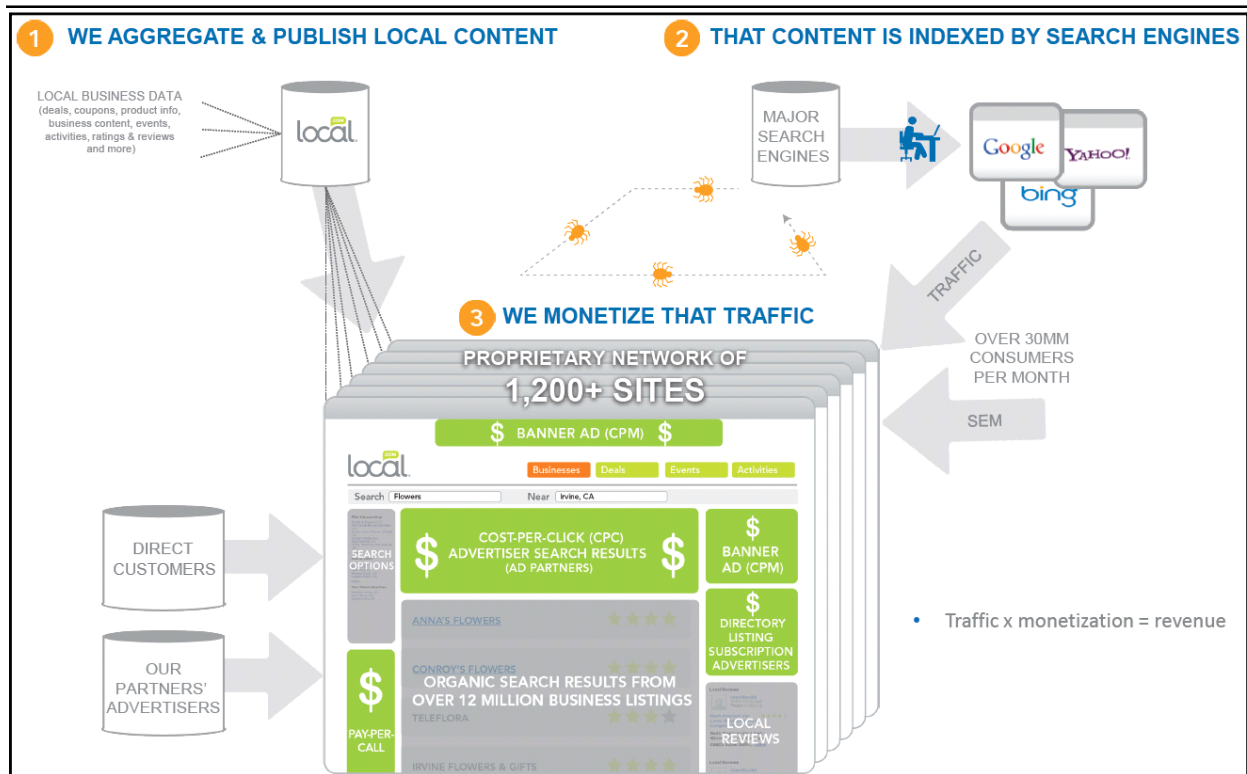
Mr. Rehfeld has served as a director since August 2005 and was the Company's lead independent director from December 2005 to October 2011. He has been the adjunct professor of marketing and strategy for the Executive MBA program at Pepperdine University since 1998 and for the University of San Diego since 2010. Mr. Rehfeld has been a director of Lantronix, Inc. since May 2010. He was previously a director of ADC Telecommunication, Inc. from September 2004 to December 2010 and Primal Solutions, Inc. from December 2008 to June 2009. Additionally, Mr. Rehfeld currently holds directorships with a number of private companies. He received an MBA from Harvard University and a B.S. in chemical engineering from the University of Minnesota.

Products and Services

Local Corporation (or “the Company”) specializes in connecting local merchants and advertisers with consumers, and consumers with local goods and services. The Company’s business model (overviewed in Figure 8) centers upon aggregating and publishing local business information, such as deals/coupons, product information, ratings/reviews, which is then indexed by major online search engines (e.g., Google, Yahoo!, and Bing). The online traffic that reaches this content can then be monetized through various means (as summarized in the lower half of Figure 8).

Figure 8

AN OVERVIEW OF LOCAL CORPORATION'S BUSINESS MODEL



Source: Local Corporation.

Through this model, consumers can access local businesses by searching online and reaching Local Corporation’s various consumer-oriented websites, including the Company’s flagship property www.local.com and shopping data website (www.krillion.com) as well as over 1,200 regional white-label websites. Consumers can also reach businesses through non-search means, such as via the Company’s Spreebird daily deals business (www.spreebird.com). Local Corporation further maintains a number of social media sites on Facebook or Twitter on behalf of its clients. The Company estimates that it reaches roughly one million consumers daily across mobile, email, display advertising, and search—two-thirds of which are through www.local.com.

The Company generates revenue primarily through an ad-supported model. In the second quarter 2012, 79% of its revenue was obtained through pay-per-click advertising, 9% through subscriptions (e.g., premium listings or placement), and 12% via display ads. The Company also serves over 800 small and medium-sized businesses (SMBs) with the revamped Exact Match product portfolio of web, social, mobile, and display advertising products.

The Company's industry-leading ad partners, such as Google Inc., Yahoo! Inc., SuperMedia LLC, YP Holdings (formerly AT&T Interactive), ReachLocal, Inc., and Marchex, Inc. (MCHX-NASDAQ), supply it with paid advertisements to display on Local.com and other websites.

Local Corporation divides its products and services into three key categories: (1) Consumer Properties, which provide information to consumers who are searching for products and services (pages 17-22); (2) Local Business Solutions, which help local merchants market and sell products and services (summarized on pages 23-27); and (3) Media Solutions, which help channel partners that sell advertising inventory reach more consumers or local merchants (pages 28-29).

Consumer Properties

Local Corporation operates several consumer properties that are designed to attract and support online traffic by providing consumers with local merchant information: (1) Local.com (www.local.com), a local business directory and search engine; (2) Spreebird.com (www.spreebird.com), a daily deals and travel discount site; and (3) Krillion.com (www.krillion.com), a local product search engine. As well, the Company's platform powers over 1,200 private-label, regional media websites as well as geo-categorized sites created through the proprietary Exact Match service (as detailed on pages 23-25).

Consumers searching for a local business, product, or service in a specific location can find merchant information (the business address, phone number, service area, etc.) directly via the Company's websites. Conversely, customers can search for products and services in their area using a search engine such as Google, Yahoo!, or Bing, which often features Local Corporation's websites and listings in the organic and paid search results. Online search has become a leading influencer for in-store sales. An estimated 86% of in-store shoppers use search engines to gather information for a purchase decision, impacting over \$1 trillion of in-store sales (Source: GroupM Search's *From Intent to In-Store: Search's Role in the New Retail Shopper Profile*, October 2011).

Harnessing Local Search Traffic

The Company's consumer properties are designed to attract and serve "local search" traffic. Consumers utilize local search to find products and services using geographically targeted search parameters, such as a specific geographic area, zip code, or city name. Roughly 20% of searches on Google.com are related to location (Source: Google, Inc.'s "Google Places Stats & Facts"). On mobile devices, Google has reported that the percentage of local searches is even higher, reaching approximately 40% of all searches, while Microsoft has reported that over 50% of mobile searches on its Bing search engine are local in nature.

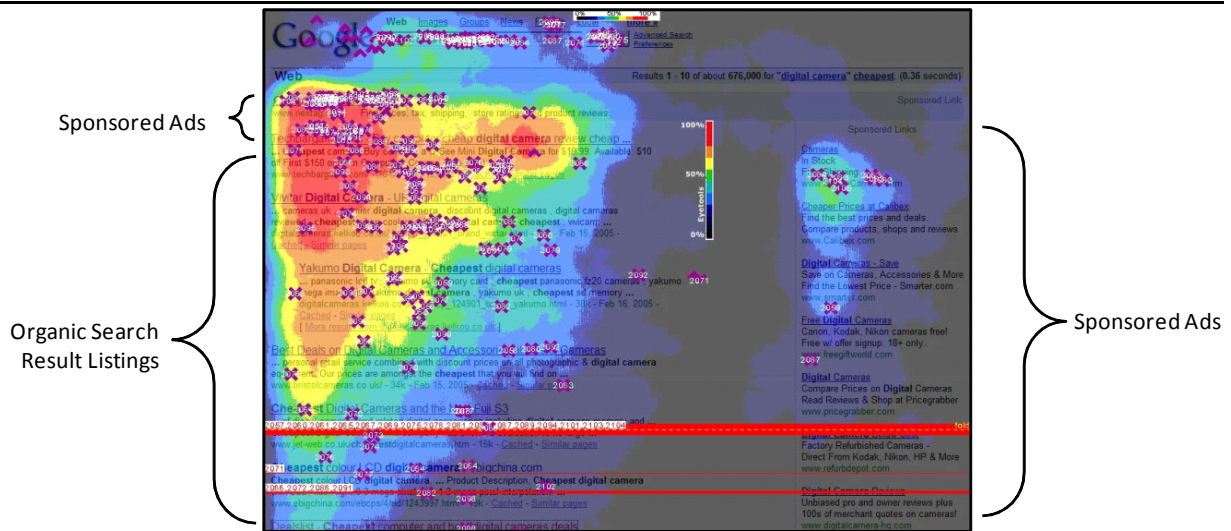
Local search traffic is highly valuable for advertisers. Consumers searching for local products or services are often further along in the buying process and tend to convert into buying customers at a higher rate than other types of Internet users. Thus, advertisers are often willing to pay more to reach these consumers. For example, as of June 25, 2012, advertisers bid \$1.93 per click ("click bid") for advertising space on the Google for "San Francisco restaurant" searches versus \$1.39 per click for "restaurant" alone. Similarly, the click bid for "plumber Los Angeles" was \$26.91, a significant increase over "plumber," which was \$9.55 per click. It is widely estimated that consumers spend 80% of their household income within 20 miles of their homes, further validating the importance of targeting consumers locally. As such, it is often beneficial for advertisers to target consumers within a certain geographic area where their products or services are most relevant. Even national brands with local brick and mortar storefronts benefit from advertising locally.

Following an aggressive acquisition strategy in 2011, the Company now possesses a broad range of products and services to assist advertisers in reaching consumers on a local level. Moreover, the breadth of its portfolio helps Local Corporation reach new groups of advertisers, including ad agencies, ad networks, big box retailers, and national brands, among others. Local Corporation believes that its search results and local content delivered via its proprietary and network partner websites provide the following key benefits to local advertisers and consumers: (1) access to a large number of local business listings and local content, with over 12 million local businesses indexed; (2) access to a desirable demographic of decision-makers (the "household manager" demographic—women ages 25 to 45 with one or more children); and (3) targeted local advertising.

Value of Organic Search

Maintaining a search engine presence is essential for local merchants that seek to harness the Internet to generate leads and sales. In a survey of nearly 2,300 adults, the Pew Research Center’s Internet and American Life Project indicated that 92% of adults use search engines, with nearly 60% doing so on a daily basis (Source: <http://searchenginewatch.com>, August 11, 2011). Local merchants can acquire search engine visibility through two key tactics: (1) organic search listings; or (2) sponsored or paid advertisements. As illustrated in Figure 9, 75% of all clicks generated from search results pages are through organic listings, based on the results from a heat map study, which tracks users’ eyes when first looking at search results.

Figure 9
A HEAT MAP STUDY ILLUSTRATING WHERE USERS FIRST LOOK ON SEARCH ENGINE RESULTS PAGES



Source: Enquiro Research's Eye Tracking Study/Google Report.

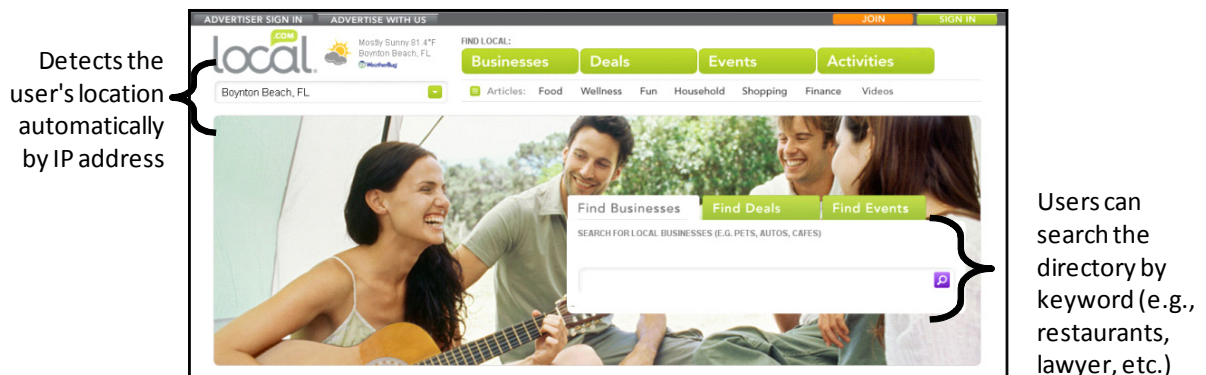
It is estimated that roughly 40% of Local.com’s traffic is “organic.” Organic traffic is derived through effective search engine optimization (SEO) tactics, which include webpage keyword optimization. Search engines use proprietary **algorithms** to display results in order of relevancy to a user’s search term or phrase. Local Corporation has identified three key goals to grow organic traffic: (1) increase the number of partners using its private-label solutions; (2) boost the traffic on each site via better SEO and content syndication; and (3) increase the number of products each partner uses.

The remaining 60% of traffic is derived from actively marketing Local.com through search engine marketing (SEM) or “paid search” efforts. The Company considers organic search to be a more valuable traffic source in the long term versus paid search (in which a competitor can simply bid more for sought-after keywords), and has focused on increasing its share of traffic derived through organic search. Ultimately, Local Corporation aims to obtain an equal ratio of organic and paid-for traffic.

The Company's Flagship Property: Local.com

The Local.com website is a local business directory and search engine that helps consumers quickly and easily find relevant search results for nearby merchants. Local.com has over 12 million business listings in its index. As shown in Figure 10, users can search for local businesses, deals, events, or activities near a specific geographical location by keyword or category.

Figure 10
LOCAL.COM HOMEPAGE SNAPSHOT



Source: Local.com, April 2, 2012.

Local Corporation employs Keyword DNA™ and patented web-indexing technologies to index large quantities of data. Once a consumer searches for a particular product or service on a search engine, Local Corporation's technology scans various data sources and, unlike other search engine technologies, returns only local businesses that supply (or are likely to supply) the product or service. Keyword DNA does not base its results on information from a website. The Company believes that these practices increase the relevancy of its geographically targeted search results.

When a search is performed for a business, the user is directed to a page of relevant local merchant listings, which typically include an address or service area, a brief company description, ratings (if available), and links to view the business's phone number, website, and reviews. Similar to Google, Yahoo!, and Bing search engines, users who visit the site and perform a search are shown organic search results as well as sponsored ads (above and on the sides of the search results). Users can click on a listing to view a merchant's Local.com profile, which provides more detailed information, including a full business description, products/services, hours of operation, and an interactive map.

Local.com users can also view and search deals, which include grocery coupons, specials and discounts for online stores, and featured weekly ads for nearby stores. The events page includes a preview of upcoming local events, such as concerts, tradeshows, and fundraisers, among others. The activities portal is designed to help users find events by state. Similar to the standard Local.com business profile, merchants offering activities can fill out a detailed profile with contact information, a business description, photos, videos, reviews/ratings, pricing information, map, FAQs, and other important details. Consumers can also book an activity through Local.com's platform.

The Company further drives traffic to its website through keyword-optimized articles with topics including food, wellness, fun, household, shopping, finance, and videos. Local Corporation capitalizes on this content by displaying relevant merchant information below the article. For example, an article entitled "How to Prevent Breast Cancer" features business listings for local medical diagnostic clinics (based on the user's IP address). These articles are furthermore monetized through sponsored ads on the top and sides of the webpage.

Reaching Consumers on Mobile Devices

Consumers are increasingly using mobile devices to perform local searches and access local information. According to Microsoft Tag, a division of Microsoft Corp., an estimated 50% of all local searches are performed on mobile devices (Source: Microsoft Tag's [<http://tag.microsoft.com>] *The Growth of Mobile Marketing and Tagging*, March 21, 2011). A study of 5,013 U.S. adult smartphone Internet users demonstrated that 88% of those who look for local information on their smartphones take action within a day (Source: *The Mobile Movement: Understanding Smartphone Users* by Google Inc./IPSOS OTX MediaCT, April 2011).

Market research firm comScore, Inc. (www.comscore.com) estimated that 88 million mobile subscribers accessed local content on mobile devices in September 2011, a 28% increase over the year-ago period (Source: BIA/Kelsey, December 14, 2011). In the past year, the Company has experienced significant growth in mobile traffic, growing from 4% of total traffic on Local Corporation's consumer properties in March 2011 to over 11% in March 2012. Capitalizing on these trends, Local Corporation has expanded its mobile product offerings to include five products.

In January 2012, the Company released an updated and optimized mobile site for Local.com (<http://m.local.com>), which helps users more quickly and easily search for local products and services via web-enabled mobile phones or devices. The mobile site has a simplified user interface with easy "app-like" navigation and click-to-call functionality. After searching for a local business, consumers can view products/services, maps and directions, ratings, reviews, photos, and other relevant local business information. As well, the site features geo-tracking technology to provide more relevant results based on the user's current physical location.

The Company moreover offers a text message-based service for local search and directory assistance for mobile devices that are not web-enabled or have limited web access. Users who send a text message with a search query to LOCAL (56225) receive a text message response with results. The Company plans to continue expanding its mobile offerings, with additional products expected to be launched in the third quarter 2012.

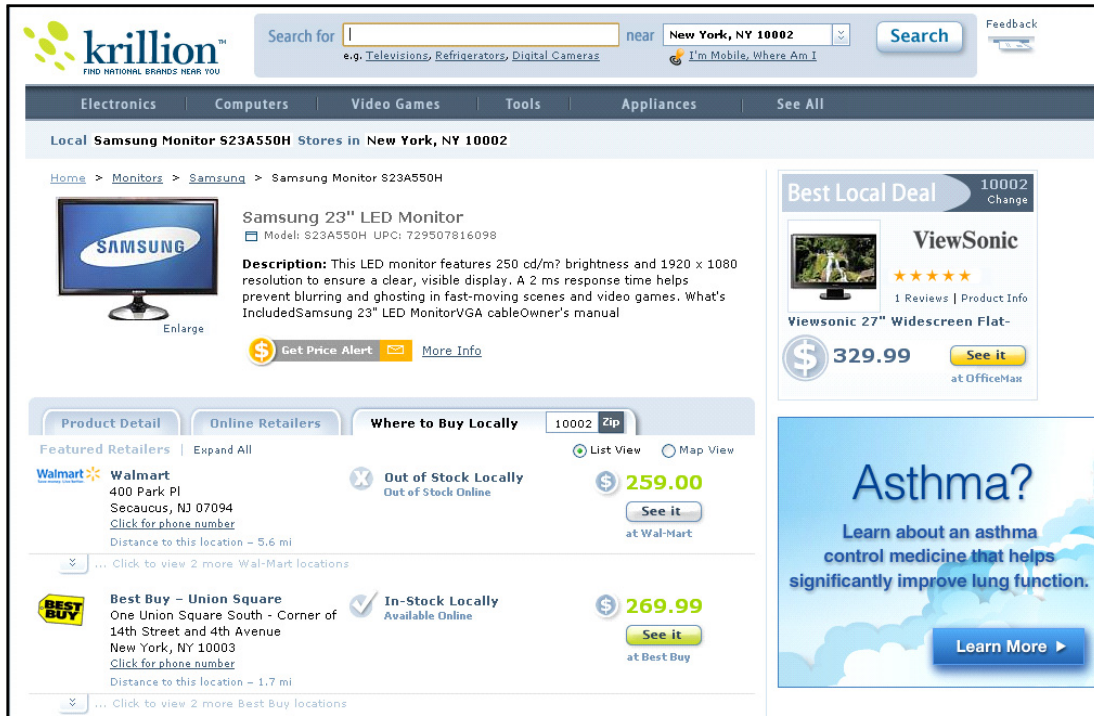
Krillion.com

In April 2011, Local Corporation acquired Krillion, Inc. (www.krillion.com)—a provider of location-based product search—to help differentiate the Company's various products to its end users, customers, and business partners. Local Corporation acquired all of Krillion's outstanding capital stock for \$3.5 million in cash, and Krillion became a wholly owned subsidiary of Local Corporation. As well, Krillion's CEO, Sherry Thomas-Zon, became Local Corporation's vice president of local shopping. The patented product search platform is designed to connect online consumers shopping for products and services with shopping data from nearby retailers, including real-time product availability and images as well as current discount, pricing, and other information.

Consumers can visit Krillion.com (shown in Figure 11 [page 21]) to search for national brand products at nearby stores. Krillion aggregates and matches consumer product information from multiple retailer websites and data feeds to create a real-time product index. At present, the Krillion database exceeds 1,200 brands, 70,000 products, and 70,000 retail locations across the U.S. As well, users can input their email address to be notified if the price of a product is reduced below a specified amount. Krillion also provides the ability for consumers to purchase a product online and pick it up in a nearby store among other convenience services offered by multichannel retailers. Krillion provides Local Corporation with valuable local shopping content, which the Company plans to deploy across its businesses to differentiate its products to end users, customers, and business partners. Krillion technology can be used to support product directories for Local Corporation's network of over 1,200 regional media sites as well as to provide consumers access to daily discounts from local retailers via its Spreebird daily deals business.

Figure 11

EXAMPLE OF KRILLION.COM LOCAL PRODUCT SEARCH RESULTS



Source: Krillion.com, April 2, 2012.

Local Corporation plans to begin installing Krillion on its Local.com network in the fourth quarter 2012 to power its new product directory. This allows customers to target consumers who are searching for an in-stock product within a particular area (e.g., a city or zip code). In doing so, the Company expects this feature to provide particularly high gross margin revenues.

The Krillion technology has a number of potential applications. Figure 12 (page 22) demonstrates an example of a rich media advertisement utilizing the Krillion product directory. The ad enables consumers to find Logitech products in nearby stores. The Company is also developing a local product app for mobile devices using Krillion technology.

Target Demographic for the Local Corporation Ecosystem

One of the Company's main target markets for its online ecosystem is the "household manager" demographic, which Local Corporation describes as women ages 25 to 45 with one or more children. The Company believes this segment is desirable from an advertising standpoint. In 2010, GfK Mediamark Research & Intelligence, LLC's *Survey of the American Consumer™* indicated that nearly 75% of women were the principal shoppers in their household (Source: *The Wall Street Journal*, "Who Makes the Call at the Mall, Men or Women?" April 23, 2011). Moreover, the Company estimates that women control 80% of the household spend, with 80% of that spent within 20 miles of the home. Currently, the household manager demographic represents 57% of Local.com's traffic. This figure is even higher on Spreebird, where this demographic represents 80% of visitors to the site.

Figure 12

EXAMPLE OF A RICH MEDIA AD FEATURING REAL-TIME LOCAL PRODUCT DATA BY KRILLION

The figure illustrates three stages of a rich media advertisement for Logitech products. Each stage is shown as a screenshot of the ad interface with a corresponding explanatory callout box.

Step 1: The first screenshot shows a family of four looking at a laptop. The headline reads "UNLEASH THE MAGIC OF TECHNOLOGY" and includes a sub-headline "See what technology can do for you...". Below the headline are three product images: a webcam, a keyboard, and a mouse. A callout box points to these images, stating: "Step 1: Consumers can click an image on the ad to get more information about a specific product."

Step 2: The second screenshot shows a close-up of a Logitech webcam. The headline reads "GET COMFY WITH HD VIDEO CALLING" and includes a "BUY NOW" button. A callout box points to the button, stating: "Step 2: Consumers can click 'BUY NOW' to find a local retailer for that product."

Step 3: The third screenshot shows a "TO ORDER NOW" section with a form to "ENTER ZIP CODE" and a "SUBMIT" button. Below the form is a table of local retailers with their names, addresses, phone numbers, and prices. A callout box points to the table, stating: "Step 3: Local retailers with the product in-stock are displayed (based on the consumer's IP address) alongside current pricing data. Consumers can also type in their zip code to search availability in a different location."

Retailer	Address	Phone	Price
Best Buy	10661 Weyburn Avenue, Los Angeles	(310) 443-9912	\$99.99
amazon.com	http://www.amazon.com		\$72.49
Logitech	http://www.logitech.com		\$84.99

Source: Local Corporation.

Record Traffic and Monetization

Recently, Local Corporation achieved record traffic and record monetization of its traffic—two key performance indicators for its business. Website traffic during the second quarter 2012 reached over 100 million unique visitors, roughly a 22% increase year over year. Local Corporation reached organic traffic of 39 million unique visitors in the second quarter 2012, up 25% from the year-ago period. The Company also achieved record mobile traffic, with over 6.5 million monthly unique visitors (MUVs) in May 2012 (versus 1.4 million MUVs in May 2011).

Local Corporation monetizes website traffic by incorporating paid advertisements onto its page (from ad partners such as Google, Yahoo!, and SuperMedia) for which the Company can earn revenue per click-through, customer call, lead, or banner ad, among other sources. Monetization of Local.com's site traffic during the fourth quarter 2011 reached an all-time record of \$332 per thousand visitors, up from approximately \$254 in the third quarter 2011. In the second quarter 2012, monetization remained near the Company's record highs, at \$299 per thousand visitors. Leading online advertisers, such as Google, Yahoo!, SuperMedia, and YP Holdings (among others), have partnered with Local Corporation to gain access to the Company's search traffic, which is largely local and commercially oriented in nature. Local Corporation is focusing on two key objectives to further improve monetization of its web properties: (1) optimize ads on its ecosystem; and (2) sell its own ad products directly to SMBs.

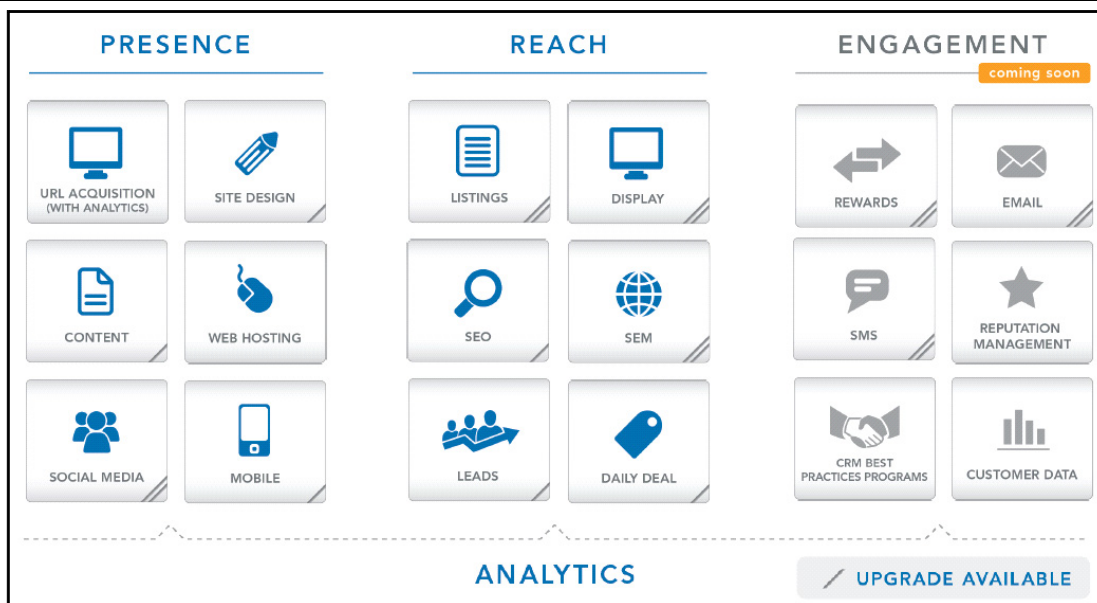
Local Business Solutions

Exact Match™ Product Suite

In October 2011, Local Corporation launched a suite of local business solutions, branded Exact Match™ (<http://exactmatch.local.com>), to help small and medium-sized businesses (SMBs) improve three key objectives online: (1) presence; (2) reach; and (3) engagement. The Company aims to offer a complete digital media solution to its SMB customers, as illustrated in Figure 13, while ensuring that a consistent brand image is maintained across all platforms. Local Corporation’s Exact Match suite of products includes integrated web, social, mobile, and display advertising products, which the Company believes can be useful tools for local SMBs to improve brand awareness and consumer affinity, as well as increase the likelihood of being found by ready-to-buy consumers who are searching online for local businesses, products, or services. The Company also offers a number of upgrades to its basic Exact Match package, as identified in Figure 13, where available.

Figure 13

LOCAL CORPORATION'S COMPLETE DIGITAL MEDIA SOLUTION



Source: Local Corporation.

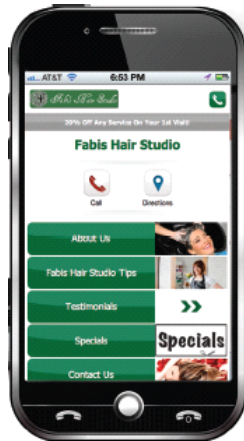
Local Corporation has approximately 800 SMB customers that currently subscribe to its Exact Match services. The Company aims to increase its total number of direct customers by capitalizing on its Exact Match platform, which is believed to result in better monetization, improved margins, greater defensibility, and increased visibility for the Company.

Comprehensive Online Presence

Traditionally, SMBs operate one website with several subpages and may not be able to effectively optimize their site for relevant keywords. The Exact Match platform entails launching one or more keyword-optimized and **geo-targeted** websites to help businesses generate leads through organic search. Taking into account what products and services the company sells and where the products and services are sold, the Company’s platform acquires a domain name uniquely tailored for that SMB. The Company reports that its highly automated platform completes this process within minutes. Local Corporation also provides a guarantee of a prominent, first-page ranking on a major search engine (e.g., Google, Yahoo!, or Bing) for the domain that it recommends, and boasts a 95% success rate. Additionally, an attractive website is created with highly targeted, relevant, and unique content.

A social media presence is also established for the SMB, including Facebook and Twitter profiles, which helps local businesses to connect to and communicate with both current and potential customers. Profiles link to the business and mobile websites, further enabling local merchants to reach new customers. Additional benefits include optimized profiles on Google Places, Bing Business Center, and Yahoo! Local.

Figure 14
EXAMPLE OF AN EXACT MATCH MOBILE
WEBSITE



Source: Local Corporation.

Local Corporation also ensures that each site is compatible for mobile devices so that consumers can find the business regardless of the device being used. Exact Match mobile sites can include key features such as one-click contact information, maps/driving directions, social sharing features (e.g., video), **QR code** capabilities, and special offers and coupons, among other features that make their mobile presence more user friendly and potentially drive in-store sales. SMBs can add YouTube™ videos, customer testimonials, activate check-ins on Foursquare® (a location-based social networking website), include LinkedIn® (a business-oriented social networking site), as well as provide additional mobile photo viewing and “special offer” features and functionality on their mobile sites. An example of an Exact Match Mobile website is provided in Figure 14.

A key differentiator for Local Corporation’s technology platform is its content marketplace, which enables the Company to support its clients with fresh, optimized content. The Company periodically publishes fresh content across its SMB customers’ sites to keep their customers engaged. The new content can then be publicized via Facebook and Twitter to ensure that an SMB’s social media presence is actively managed and updated.

Highly Targeted Reach to Potential Customers

Once the online presence is established for an SMB, the next goal is to help the business reach more customers online. Local Corporation’s platform offers a variety of digital marketing solutions, including pay per click, lead generation, site listings, display ads, search engine optimization (SEO), and daily deals, which can be implemented to help small business customers reach their potential customers efficiently and effectively. Many local businesses seek to implement online advertising; however, SMBs may lack the budget or resources to develop and manage online ads in-house. Local Corporation aims to address these issues by providing services that allow SMBs to incorporate sophisticated and highly targeted display ads as part of their marketing strategy.

Engagement Tools for an SMB’s Existing Customers

Local Corporation is focused on expanding its platform to help SMB customers engage with their customers after a product or service is sold. This can be achieved via email, SMS, and rewards programs—all of which may be launched in the second half of 2012. The email product and rewards program are currently in beta testing. The rewards program entails supplying a card to SMBs that can be given to their customers to encourage repeat visits. A reward is earned each time the cardholder purchases from that retailer and presents their card or, once the card is registered, provides their phone number (in the case that the card is forgotten or misplaced). Local Corporation believes that its rewards program has advantages over other rewards programs due to its ease of use by both consumers and SMBs.

Long-term Pricing Advantage over Competitors

The Company aims to become the leading provider of digital media solutions to the five million SMBs in its target market. As part of this initiative, Local Corporation has priced its Exact Match product to gain market share and grow rapidly. For \$249 per month, the Company implements and manages its basic Exact Match suite for SMBs, providing multi-channel access to consumers via a website with a geo-targeted URL, SEO with guaranteed page one ranking on a major search engine, a social media presence, and mobile-optimized websites—all managed by Local Corporation’s team. Customers can upgrade to a “Smart” bundle, which incorporates display advertising.

Competing digital media businesses may offer several of these products but often lack the resources to support the full package offered by Local Corporation. Importantly, the Company's vast technology platform supports the creation of new combinations of digital media products for SMBs, providing Local Corporation with a long-term pricing advantage over time by keeping services in-house.

A Recent Case Study: Fabi's Hair Studio

Local Corporation has worked with Fabi's Hair Studio to broaden the New York City-based salon's online presence and reach, and create a consistent brand image across all platforms. This was achieved using various strategies, as overviewed in Figure 22 (page 43). In particular, the Company helped Fabi's Hair Studio create a consistent user experience across both web and mobile platforms, expand its social media presence, improve SEO, and increase accessibility to customers, in addition to other advertising measures.

Spreebird™ Daily Deals Site

Spreebird™ (www.spreebird.com) is Local Corporation's daily deals platform, where consumers are connected with local merchants and national businesses that are offering significant discounts (50% to 90%) for products and services, in essence closing the gap between online research and offline transactions. Primarily, Local Corporation uses Spreebird to target **hyperlocal** markets in suburban areas and, in particular, the "household manager" demographic. The Company supports this focus with initiatives such as the Community Rewards Program (summarized on page 27).

Spreebird and other daily deals sites are desirable performance advertising products for SMBs. SMBs partner with Local Corporation to advertise products or services on Spreebird at a significantly discounted price. Spreebird requires no upfront investment, as SMBs only pay a fixed price per customer that purchases their deal. Local Corporation recognizes revenue from daily deals business net of the merchant's portion of gross billings.

In July 2011, Local Corporation sought to extend its reach in the daily deal industry through the acquisition of Screamin' Media Group, Inc. (SMG), a Southern California company that operated the Screamin' Daily Deals site, for \$12.5 million in cash, stock, and debt. Screamin' Daily Deals generated unaudited revenues of roughly \$2.4 million in 2010 and approximately \$4.4 million during the first half of 2011. Prior to the acquisition, Screamin' Daily Deals connected hundreds of thousands of subscribers to deals from thousands of merchants across 14 U.S. markets, including Los Angeles, Orange County, Salt Lake City, and San Diego. As well, Screamin' Daily Deals developed a School Rewards program, whereby 10% of the proceeds from each purchase could be donated to a school or nonprofit organization selected by the consumer.

The Spreebird Business Today

Currently, Spreebird offers daily deals from thousands of local merchants in 10 markets, primarily in southern California. To date, Local Corporation reports that over 300,000 individuals have subscribed to receive Spreebird deals via email in the southern California market.

In January 2012, the Company launched a new, simplified website design incorporating deal-ranking technology, which uses an algorithm to prioritize deals based on a consumer's location and purchase history. Local Corporation's deal-ranking technology is designed to personalize each visitor's experience while maximizing the probability of a user seeing a relevant deal at the top of the page, intended to make them more likely to purchase.

As well, as illustrated in Figure 15 (page 26), the new design prominently features the customer's favorite school or nonprofit on the top right side of every page as a reminder that Spreebird donates a portion of each purchase.

Figure 15
NEW DESIGN FOR WWW.SPREEBIRD.COM

The screenshot shows the Spreebird website interface. At the top, there is a navigation bar with 'Orange County Central & Coast' selected. Below this, a deal for 'ChemDry of Orange County - Redeem from Home' is featured. The deal is priced at \$99, with a savings of \$111 (52% off the \$210 value). The deal is for a 'Redeem from Home' service. The website also features a charity selection option and a 'Buy' button.

Annotations on the screenshot include:

- A blue circle around the location dropdown menu with the text: "Targets hyperlocal markets across Southern California".
- A blue circle around the 'Buy' button with the text: "Highly discounted price (typically 50% to 90% off)".
- A bracket on the right side of the page with the text: "Each user selects a preferred organization to receive donations".

Source: www.spreebird.com, March 16, 2012.

Consumers accessing the Spreebird website via a smartphone or mobile device are automatically directed to a mobile version (www.spreebird.com/mobile). Consumers can also browse, buy, and redeem Spreebird deals via mobile apps on iPhone®, iPad®, iPod Touch®, and Android™ devices. In March 2012, the Web Marketing Association named the Spreebird app the “Best Shopping Mobile Application” for its annual Internet Advertising Competition (IAC) Awards.

Key Differentiators for Spreebird in the Consolidating Daily Deals Market

The daily deals sector is a rapidly evolving marketplace, with market leaders including Groupon and LivingSocial. In 2011, research firm BIA/Kelsey estimated the market for Groupon, LivingSocial, and other daily deal/group buying websites to be nearly \$2 billion in the U.S., with potential to more than double to roughly \$4.2 billion by 2015 (Source: Bloomberg.com, September 13, 2011). In 2011, nearly 20 million adults were expected to redeem a mobile coupon or deal, a figure that is expected to nearly double by 2013, in part due to the growing daily deal sector (Source: eMarketer Inc., September 7, 2011, press release). Trends in the group buying market include targeting niche groups based on their location and interests.

With over 600 companies currently operating in the group buying space, significant industry consolidation has occurred and is expected to continue in 2012 as large companies purchase smaller rivals and other competitors go out of business. Daily deal aggregator Yipit.com estimates that over 170 deal sites failed in 2011 and forecasted that over 200 deal sites would fail during the first six months of 2012. Tippr™, a provider of group buying solutions, expects sites that are able to integrate daily deals into their existing content (versus mimicking Groupon’s model) to thrive in the sector (Source: Tippr™ press release, December 7, 2011).

While Spreebird offers the same core product as Groupon—a daily deal—the Company’s site has a number of differentiating elements that serve as competitive advantages in the sector. Groupon’s cost to acquire new customers has significantly risen in recent years, from \$7.99 in March 2010 to \$23.46 in June 2011 (Source: *The Wall Street Journal*, “Get ‘Em While They Last: ‘Daily Deal’ Sites Dying Fast,” September 19, 2011). Spreebird’s primary subscriber acquisition strategy is designed to suppress customer acquisition costs by partnering with local schools as well as nonprofit and other community organizations, incentivizing consumers by donating a percentage of the proceeds to an organization they support.

Rewards Programs

In line with the Company's strategy to target the "household manager" demographic, Local Corporation differentiates Spreebird from many conventional group buying platforms by providing a means to give back to the community. Capitalizing on the success of SMG's School Rewards program, Local Corporation has created a Community Rewards Program through which customers can select a school or nonprofit organization to receive 10% of Spreebird's net proceeds from each deal. The donation is made in the merchant's name.

Schools typically fundraise under the Parent-Teacher Association (PTA), which can interact with the Company's desired household manager demographic when parents drop or pick up their child from school, or during special classroom or after-school activities. These various interactions provide an opportunity for the PTA to market Spreebird to the Company's target segment. Local Corporation compensates the PTA for each person who signs up for Spreebird through these initiatives. Presently, the majority of the Company's customers are obtained through the school rewards program. As such, Local Corporation aims to target daily deals within 20 miles of a school. Consumers who sign up for Spreebird deals can select a school or organization to receive a 10% donation of Spreebird's revenue share once the consumer completes a purchase. The Company believes this creates in essence a "halo effect," benefitting the merchant, the school, the consumer, and Spreebird. An additional benefit of the school rewards program is the multi-year opportunity to develop a relationship with the consumer through a school, as children are often enrolled at the same school for multiple consecutive years.

As well, the program allows users to donate to a featured nonprofit organization, such as the Special Forces Association, which supports the families of the U.S. Armed Special Forces or the Green Berets, to be promoted on Spreebird's purchase confirmation page. Shoppers can select how much they want to donate and the Company directs all proceeds to the featured non-profit. As of May 2012, over \$700,000 had been donated to schools and nonprofit organizations as a result of the Spreebird's Community Rewards Program.

In addition to enjoying significant discounts through the Spreebird deal site, Local Corporation believes that its donation programs help consumers feel good about their purchase, knowing that they are supporting local merchants while giving back to the community. Spreebird additionally offers incentives to users for referring friends.

Potential Growth Opportunities for Spreebird

Local Corporation has identified a number of opportunities to expand its digital media suite for SMBs. In May 2012, the Company launched a beta release of its Spreebird Rewards program in select markets, which is designed to encourage more loyal customers for local merchants while providing greater customer insights for the business (e.g., when, where, and how much is being spent). Participating merchants can disseminate Spreebird loyalty rewards cards to consumers, who earn rewards each time they make a purchase at that business. Purchases and rewards are tracked over time via Mastercard/Visa processing systems. While consumers can currently redeem rewards points for Spreebird Deals, Local Corporation plans to incorporate additional redemption options. Like Spreebird Deals, Spreebird Rewards also provides funding for local schools and charities through Spreebird's Community Rewards program. The Company plans to expand the program to additional markets during the second half of 2012. The Company also plans to launch a white-label version of the Spreebird Rewards program as part of its existing Business Solutions for SMBs later this year.

Media Solutions

Local Corporation offers various media services that enable clients to capitalize on the local online advertising market using the Company's sophisticated technology platform. The Company has several private-label web products (summarized below) that can be utilized by publishers to attract local search customers while generating revenue through online advertisements or subscription fees, as well as a web-based platform for creating agency-quality online ads (page 29), which the Company plans to sell.

Supplying Local Content through Private-label Products

The Company offers a private-label business directory tool that can be beneficial for local news, radio, and TV websites that wish to include a yellow pages-type directory on their website. The entire directory is keyword searchable, making it easy for users to find local businesses. It is designed to be a turnkey solution for integration with third-party websites seeking to increase traffic and monetization opportunities on their websites through relevant, local business content and effective SEO practices, generating new revenue without additional cost. The platform, which can be accessed by API or via a **widget**, includes access to the Company's directory of over 12 million business listings that can be filtered by location. Local Corporation's private-label local search product is designed to connect the website's audience to local businesses based on their interests and interaction with the content on the site, which includes user ratings and reviews, photos, and videos.

Adding local business information on a website can improve SEO performance for geo-targeted keywords, while providing opportunities to generate additional revenue by selling new ad formats and offering premium listings to local SMBs. The ads are supplied through ad feeds from leading national and local content providers (e.g., Google, Yahoo!, Dex, YP Holdings [formerly AT&T Interactive], SuperMedia, etc.), and partners receive a share of revenue each time an ad is clicked on their website. Partners also earn revenue through monthly subscriptions for premium directory listings, in which SMBs pay a fee for their profile to be listed at the top of the search results for relevant keywords. Advertisers can purchase text, image, or video ads, customize coupons, and have the ability to share listings to over 200 social networking sites, including Facebook and Twitter. To date, over 9,000 subscription ad units have been sold by publisher partners. Figure 16 highlights a selection of the partners that utilize Local Corporation's private-label solution where information has been made publicly available.

Figure 16
SELECTION OF LOCAL CORPORATION'S NETWORK PARTNERS



Source: Local Corporation.

The platform includes a user-friendly interface where third parties can customize the appearance of the directory with various templates, a scrollable business listing carousel, and enhanced maps, among other features. It also includes an administrator platform as well as a self-service portal for advertisers.

The Company's local business directory helped New Hampshire's guide website, <http://www.nh.com>, achieve a 60% increase in website traffic from January 2011 to October 2011. As of September 2011, the Company powered local business directories for 50 of HomeTownLocator.com's state-level sites and contributed to a traffic increase of over 150% within a few months of launching the platform. Local Corporation is also a preferred supplier to PAGE Cooperative, a member-owned cooperative buying association that represents roughly 1,700 news publications throughout the U.S., which enables the Company to offer its local business directory and local business advertising solutions for regional media publishers directly to PAGE members.

Private-Label Local Shopping Search (powered by Krillion)

Local Corporation’s portfolio includes a private-label local shopping search product, which can be applied broadly to power consumer shopping across a variety of business customers that seek to provide online consumer audiences with product and inventory availability information on products sold at local retailers. The service is powered by Krillion’s patented location-based database of over 70,000 products with reach across 40,000 U.S. cities and towns. Today, Krillion data is licensed and distributed to consumer product manufacturers, content providers, retailers, and online advertising providers. The product locator tool can be used to enhance websites, power mobile applications, and localize online advertising with “where to buy” information, potentially increasing both traffic and sales. Figure 17 highlights a selection of partners that utilize this platform, in addition to Krillion.com, Local.com, and Local Corporation’s partner network of over 1,200 media sites. To date, the private-label product has been deployed by 100 publishers. Local.com earns revenue through the licensing of Krillion product and retail data and through revenue share of retail listings displayed within the local product search results and information.

Figure 17

PARTNERS FOR THE PRIVATE-LABEL LOCAL PRODUCT SEARCH TOOL



Source: Local Corporation.

Rovion Ad Management Platform

National brands with a local presence are increasingly using display advertising to more effectively target local consumers. In a move to capture a portion of this market and differentiate its product suite by offering rich media display advertising, Local Corporation acquired the assets of Rovion, Inc., an advertising company that sells, creates, delivers, and tracks rich media ads, in May 2011. Rich media ads typically include animation or video, and stimulate a more complex user interaction than traditional text-only ads or standard display ads.

Local Corporation has fully integrated the technology from the acquisition into its platform, facilitating the full, flexible, customized creation of rich media ads in as few as several minutes. Nevertheless, due to the breadth of the Rovion platform beyond Local Corporation’s current needs and in line with the Company’s increasing focus on SMB customers, Local Corporation is exploring the strategic sale of the Rovion platform. The Company reports that it has received interest from multiple parties and seeks to retain a license to continue using the technology.

Currently, display advertising represents roughly 12% of Local Corporation’s revenue and is one of the fastest growing areas of the business. In December 2011, the Company’s display network served a record one billion ad impressions across its flagship Local.com site, its syndication network of over 1,200 regional media sites, and its display ad network for third-party web publishers, representing a 300% increase over ad impressions in January 2011.

Search Marketing Partnerships

Local Corporation earns a majority of its revenues from search advertising. There is competition from third parties to place advertiser listings on the Local.com website as well as its network of over 1,200 regional media sites, which are designed to deliver a relevant list of businesses, products, and services to consumers at the exact time a consumer has demonstrated interest in what that business has to offer. The ability to capture a user's attention while he or she searches for a specific product or service (when they are more likely to convert into a buying customer) is valuable in the advertising industry. As well, the Company's primary targeted "household manager" demographic is sought after by SMBs, as this group has a significant amount of purchasing power in the U.S. and is responsible for making the majority of household purchases.

Local Corporation enables businesses to access its proprietary and third-party local search traffic via performance, display, and subscription ad units. The Company relies on partners to provide advertiser listings for distribution to Local.com and network partners. Local Corporation earns revenue when a customer clicks through or another paid event occurs, or may receive payment based on reaching a set number of impressions (views). The Company's advertising partners include Google, Yahoo!, SuperMedia, YP Holdings, ReachLocal, Inc., and Marchex, Inc., among others.

Overcoming Adversity in the Marketplace

Historically, the Company was largely dependent on several ad partners as revenue sources. In 2010, 70% of Local Corporation's revenue was obtained through Yahoo! and SuperMedia. However, in July 2009, Microsoft Corp. and Yahoo! reached a 10-year agreement to partner in an effort to challenge Google's dominance in online search. While both entities maintain their own branding, search results on Yahoo.com are now "powered by Bing™." Bing is Microsoft's web search engine that was launched in 2009. Under the partnership, Yahoo! is responsible for obtaining premium advertisers, while Microsoft pays Yahoo! 88% of revenue gained through searches on Yahoo!'s sites and has the right to integrate Yahoo!'s search technology into its own existing Web search platforms.

In the first half of 2011, Local Corporation faced a significant challenge in the form of the Yahoo!/Bing alliance. Prior to the partnership, the Company derived nearly 50% of its revenue from revenue-per-click advertising from Yahoo!. However, starting in late 2010, Microsoft's Bing began charging advertisers less for Local Corporation's search traffic, which resulted in less revenue-per-click for the Company's search results than Yahoo! had paid prior to the Yahoo!/Bing integration.

In an effort to diversify its revenue sources, Local Corporation entered into a service agreement with Google, Inc. effective August 1, 2011, and valid through July 2013. In December 2011, Local Corporation and Google amended the agreement to allow Local Corporation to display Google's pay-per-click advertisements on certain versions of its mobile application through July 31, 2013. The Company also focused on optimizing feeds from all ad partners. In June 2011, Local Corporation extended and expanded its strategic distribution agreement with AT&T Interactive (now YP Holdings). The YP Local Ad Network includes over 300 publishers. The original contract with Yahoo! was extended through September 30, 2012, and was renewed with modified implementation, compensation, and exclusivity provisions effective through July 2012. Local Corporation's existing agreement with SuperMedia, Inc. extends through June 30, 2013.

In addition to diversifying the Company's revenue sources, these efforts resulted in a significant increase in revenue per visit for the flagship site www.local.com.

Driving Traffic to Local.com with Advertising

The Company pays for advertisements on other search engines—primarily Google.com, but also Yahoo.com, MSN/Bing.com, and Ask.com—to drive traffic to Local.com and network partner websites. During fiscal 2011, Local Corporation spent \$37.4 million on SEM campaigns (\$25.6 million to Google), which represented roughly 66% of the traffic to Local Corporation’s online ecosystem.

Reducing Dependence on Search Marketing

In 2011, Local Corporation launched new products and acquired companies and technologies as part of an initiative to reduce the Company’s dependence on all aspects of search marketing, including generating revenue from hosting other sponsored ads and obtaining traffic through paid ads. To reduce its dependence on advertising with other search engines, the Company has added non-SEM products and services to diversify revenue streams and grow organic traffic by encouraging repeat visitors, improving content, and increasing SEO efforts.

Operating Structure

Local Corporation's operations are divided into three units: (1) Owned and Operated (O&O), which manages proprietary local search traffic; (2) Network, representing third-party local search traffic; and (3) Sales and Advertiser Services (SAS), which sells and supports products directly to SMBs.

Owned and Operated (O&O)

The O&O unit focuses on the Company's proprietary web properties, including Local.com and a proprietary network of over 20,000 local websites.

Network

Third-party local search traffic (website traffic to partner websites) is managed through the Network division. Through this unit, the Company supports the private-label directory platform for over 1,200 partner U.S. regional media websites (e.g., local newspaper, TV, and radio station sites). In addition, the Company offers an **XML feed** featuring third-party advertiser listings and Local Corporation's organic search results, which other search engines and websites can display under their own branding.

The Company offers a number of tools to help partner websites generate new revenues and drive organic local search traffic, including ad feeds, display ads, private-label local directories, pricing and product data, and store locator tools. These tools can be deployed on websites while providing quick revenues for local companies, without the need to install or maintain software or incur operational costs, such as set-up, data, licenses, or support fees.

Sales and Advertiser Services (SAS)

The SAS business unit sells products directly to small businesses. It offers various subscription advertising and web hosting products, including the Exact Match product suite (detailed on pages 23-25) and Local Premium direct web listing products (higher listings on Local.com search results pages). As well, through the SAS unit, the Company partners with advertisers, such as Google and Yahoo!, which help Local Corporation monetize search traffic through various performance ad products, including pay per click, pay per call, pay per lead, and display ad units (paid per thousand impressions). The SAS unit also manages activities related to the Spreebird daily deals business (described on pages 25-27).

While Local Corporation has launched a number of products and services under its SAS unit over the past few years, the Company is focusing its internal efforts on the Exact Match suite. There are roughly 24,000 "legacy" Local Exchange Carrier (LEC) billed customers resulting from previous sales initiatives (e.g., web hosting, web listing, or website products), which are fulfilled by a third party. The Company is no longer selling products that are LEC billed. Local Corporation has been notified that two of the carriers are no longer accepting LEC billing, and remaining carriers are expected to cease LEC billing by the end of 2012. In the near term, the growth in revenue from Exact Match products is not expected to fully offset the decrease in revenue from existing legacy subscribers. Nevertheless, the Company has over 800 SMBs enrolled in Exact Match services, which generate revenue equal to 8,000 LEC subscription customers.

Revenue Breakdown by Business Unit

Figure 18 (page 33) depicts Local Corporation's historic and targeted revenue split by business unit. While SAS represented just 14% of revenue in 2011, the Company anticipates significant growth in this category going forward, supported by high margins (from 80% for subscriptions to 100% for Spreebird daily deals). SAS includes revenues from subscriptions, daily deals, and rich media, as well as legacy LEC subscribers.

Figure 18

2010/2011 REVENUE BREAKDOWN AND TARGET REVENUE BREAKDOWN AND GOAL BY BUSINESS UNIT

	Percent of Revenue		
	2010	2011	Target Revenue Goal
Owned and Operated	53% <i>\$44 million</i>	64% <i>\$51 million</i>	50%
Network	30% <i>\$25 million</i>	22% <i>\$17 million</i>	25%
Sales and Ad Services	17% <i>\$15 million</i>	14% <i>\$11 million</i>	25%
Total %	100%	100%	100%

Source: Local Corporation.

Milestones

Local Corporation has achieved a number of significant corporate milestones in 2011 and to date in 2012 as the Company expands and diversifies its business, as summarized below.

- Ranked as one of the fastest growing companies in North America on Deloitte's 2011 Technology Fast 500™
- Achieved record traffic, organic traffic, and mobile traffic to Local.com
- Launched Exact Match local business solutions
- Completed a number of strategic acquisitions, including Screamin' Daily Deals, Krillion, and Rovion
- Launched Spreebird daily deals and Spreebird Rewards Beta
- Launched mobile apps for Spreebird on iPhone® and Android™
- Donated \$700,000 to schools and non-profit organizations through Spreebird
- Appointed Michael Sawtell as chief operating officer
- Completed a public offering of Common Stock for net proceeds of \$18.2 million in January 2011
- Secured a \$12 million revolving credit facility from Square 1 Bank in August 2011
- Entered into a service agreement with Google Inc. (through July 2013)
- Modified and extended advertising distribution agreements with Yahoo!, SuperMedia, and YP Holdings (formerly AT&T Interactive)

Competition

Local Corporation faces competition from a number of large Internet and technology-based businesses, search engines, national and local online directories, city guides, and online advertising services. The Company also competes against traditional offline media, such as television, radio, and print, for a business's advertising budget. As well, the Company competes against other local listing engines and online solution providers, as well as subscription advertising and web hosting companies. Importantly, many of Local Corporation's competitors for online traffic and paid search services—including Google, Yahoo!, Superpages, and Bing—are also advertising partners. In addition, the Company's Spreebird daily deals business competes against other widely known daily deals and e-commerce groups, including Groupon, LivingSocial, and Google Offers.

Profiles of competitors detailed below are not intended to represent an exhaustive collection of Local Corporation's possible competition. These companies, however, are believed to be representative of the type of competition that Local Corporation may face as it seeks to gain a greater market share and presence in the local search and advertising space. Local Corporation expects increased competition from both established and new web-based companies as it continues to expand its product portfolio and services.

AT&T, Inc. (T-NYSE)

AT&T, together with its subsidiaries, provides telecommunications services to consumers, businesses, and other providers worldwide. The company's Advertising Solutions segment offers a number of products and services, such as website design (including mobile), local listings on the YPSM Local Ad Network, online ratings and reviews monitoring, placement on the YP Real Yellow PagesSM directory, SEO/SEM, and local display advertising, among others. AT&T was founded in 1983 and is headquartered in Dallas, Texas.

DataSphere Technologies, Inc. (Closely held)

DataSphere is an online marketing company that provides SaaS-based local marketing products and services. DataSphere's portfolio includes LocalNet, a platform to create news websites for local businesses and media companies; a local coupon network; and mobile and web-based marketing products. The DataSphere platform manages professional, high-traffic websites and offers content and sales solutions to major media companies. In March 2012, the company raised \$8 million in private equity funds. DataSphere was founded in 2006 and is based in Bellevue, Washington.

Dex One Corp. (DEXO-NYSE)

Dex One, a marketing solutions company, offers digital services to promote businesses on the Internet through its proprietary SEM product, DexNet. The company's product portfolio includes white and yellow page directories as well as marketing solutions, which encompass local business and market analysis, target market identification, advertising and digital profile creation, and distribution strategies. Dex One is headquartered in Cary, North Carolina.

Google Inc. (GOOG-NASDAQ)

Google, a technology company, maintains an index of websites and online resources for users, advertisers, and content providers. It offers the Google search engine platform as well as a suite of advertising-related services, including AdWords, an auction-based advertising program; AdSense, which enables websites that are part of the Google Network to deliver ads; Google Display, a display advertising network that comprises the videos, text, images, and other interactive ads; DoubleClick Ad Exchange, a real-time auction marketplace for the trading of display ad space; and YouTubeTM, which provides video and interactive ad formats for advertisers. The company also provides local business information through Google Local. Google was founded in 1998 and is headquartered in Mountain View, California.

Groupon, Inc. (GRPN-NASDAQ)

Groupon, together with its subsidiaries, operates as a local commerce marketplace that offers goods and services at significant discounts in North America and internationally. The company sends daily emails to its subscribers regarding discounted offers for goods and services that are targeted by location and personal preferences. Consumers also access its deals directly through the company's website (www.groupon.com) and mobile applications. In November 2011, Groupon raised in excess of \$700 million dollars through an initial public offering (IPO). The company was founded in 2008 and is headquartered in Chicago, Illinois.

Hungry Machine, Inc. DBA LivingSocial, Inc.

Hungry Machine, doing business as LivingSocial.com, offers daily deals with discounts at local restaurants, bars, spas, and theaters in the U.S. and international markets. Its services include LivingSocial Instant, which helps members discover real-time discounts at nearby restaurants, stores, and businesses; Instant Escapes, a service that helps in booking weekend trips; LivingSocial Adventures, which offers deals relating to excursions and events in and around a particular city; LivingSocial Families, which helps parents and kids discover attractions around town; and LivingSocial Instant Deals, real-time deals delivered via smartphones and the Web. Hungry Machine was founded in 2008 and is based in Washington, D.C.

IAC/InterActiveCorp. (IACI-NASDAQ)

IAC offers various Internet-based products and content in the U.S. and internationally. The company's Search segment provides search, reference, and content services through its destination search and other websites, including Ask.com and Dictionary.com, and aggregates and integrates local advertising and content for distribution to publishers on Web and mobile platforms. CityGrid Media, an operating business of IAC, is an online media company that connects web and mobile publishers with local advertising organizations by linking them through CityGrid®, its local content and advertising network. CityGrid Media owns and operates leading local consumer properties including Citysearch, Insider Pages, and Urbanspoon. The company was founded in 1986 and is headquartered in New York, New York.

Microsoft Corp. (MSFT-NASDAQ)

Microsoft Corp. develops, licenses, and supports a range of software products and services for various computing devices worldwide. The company's Online Services Division segment provides online information and content through Bing, MSN portals, and adCenter, as well as Atlas online tools for advertisers. Microsoft markets and distributes its products and services through original equipment manufacturers, distributors, and resellers, as well as online. Microsoft was founded in 1975 and is headquartered in Redmond, Washington.

In July 2009, Microsoft and Yahoo! reached a 10-year agreement to partner in an effort to challenge Google's dominance in online search. While both entities maintain their own branding, search results on Yahoo.com are now "powered by Bing™." Bing is Microsoft's web search engine that was launched in 2009. Under the partnership, Yahoo! is responsible for obtaining premium advertisers, while Microsoft pays Yahoo! 88% of revenue gained through searches on Yahoo!'s sites and has the right to integrate Yahoo!'s search technology into its own existing Web search platforms.

Mojopages.com (Closely held)

MojoPages.com is a local search product that offers private labels branded local listing search engines and business listings for media websites, such as local newspapers, TV, and radio stations. The company has a directory of over 15 million domestic merchants that are ranked based on their reviews and ratings. MojoPages has contracted with more than 1,200 partner sites in a number of the largest U.S. cities. MojoPages is headquartered in Solana Beach, California.

PointRoll, a Gannett Company (GCI-NYSE)

PointRoll, a Gannett Company, is a provider of digital marketing services and technologies. PointRoll supports the creation, delivery, and measurement of interactive online videos, rich media display ads, digital circulars, mobile efforts, and social campaigns. PointRoll's ShopLocal technology allows brands to distribute local marketing promotions to various digital formats, including online circulars, display advertising, social media sites, and mobile. Powering 46 of the top 50 retailers' circulars, PointRoll's ShopLocal product suite utilizes localization to deliver relevant, optimized product and promotion content to any digital platform. Gannet is headquartered in McLean, Virginia.

Radiate Media (Closely held)

Radiate Media was created in 2011 when Matchbin, a local marketplace solutions provider for media companies, acquired the broadcast media division of NAVTEQ, an independent provider of content and advertising solutions for broadcast radio and TV. Radiate's technology platforms and media networks created a value chain that connects media partners with advertisers and, ultimately, with the consumer. Radiate's solutions help media partners leverage their existing relationships with local businesses in order to provide advertising solutions. With corporate headquarters in Salt Lake City and offices in Chicago, Dallas, Los Angeles, New York, Orlando, and Malvern, Pennsylvania, Radiate serves more than 6,000 local merchant and national advertisers through its growing network of 2,000 TV, radio, and print media partners.

ReachLocal, Inc. (RLOC-NASDAQ)

ReachLocal offers online marketing and reporting solutions to SMBs primarily in the U.S., Canada, Australia, UK, India, Netherlands, Germany, and Japan. The company's products include ReachSearch, a search engine marketing product; ReachDisplay, a display advertising and remarketing product; ReachCast, a solution that builds and optimizes Web presence for the purpose of driving online search discovery and managing social media marketing. It also provides a suite of digital marketing solutions comprising TotalTrack, TotalLiveChat, TotalVideoNow, and TotalBannerNow to address lead optimization, online analytics, and digital creative solutions. The company serves clients in various industry verticals, such as home repair and improvement, automobile sales and repair, medical and health services, legal services, and retail and personal services. ReachLocal was founded in 2003 and is headquartered in Woodland Hills, California.

SuperMedia LLC (SPMD-NASDAQ)

SuperMedia operates as a yellow pages directory publisher in the U.S. The company also offers digital advertising products. The company's local media portfolio includes the Superpages directories; Superpages.com, a digital local search resource; Superpages.com network, a digital syndication network that places local business information across websites, mobile sites, and mobile applications; and Superpages direct mailers. In addition, it offers solutions for social media, digital content creation and management, reputation management, and SEO. SuperMedia is headquartered in Dallas, Texas.

Yahoo! Inc. (YHOO-NASDAQ)

Yahoo! Inc., together with its subsidiaries, operates as a digital media company that delivers personalized digital content and experiences through various devices worldwide. It offers online properties and services to users; and a range of marketing services to businesses. Its search products comprise Yahoo! Search and Yahoo! Local. The search engine is supported by a number of offerings and services, including mail and messenger applications, shopping and travel review sites, as well as media and entertainment content and services. The company also offers marketing services, such as display and search advertising, listing-based services, and commerce-based transactions to advertisers. Yahoo! was founded in 1994 and is headquartered in Sunnyvale, California.

Yodle, Inc. (Closely held)

Yodle provides online search marketing solutions. It offers Yodle Franchise that integrates online advertising technology for local businesses with an enterprise level suite of tools that enables franchises to monitor and coordinate franchisees' advertising campaigns. The company also provides multi-location advertising and dealer/manufacturer/advertising solutions. The company was founded in 2005 and is based in New York, New York.

YP Holdings LLC

In May 2012, YP Holdings was launched, combining the assets of AT&T Advertising Solutions (the publisher of the Yellow Pages) and AT&T Interactive (which operates the new Yellow Pages website, YP.com, and the YP mobile app for local searches). As a standalone company, YP Holdings had \$3.3 billion in revenues in 2011. The company has 700,000 local advertisers in the U.S. Collectively, YP.com and the YP mobile app have over 38 million monthly unique visitors. An affiliate of Cerberus Capital Management, L.P. has a controlling interest in YP Holdings.

Historical Financial Results

Figures 19, 20, and 21 provide a summary of Local Corporation's key historical financial statements: its unaudited condensed, consolidated Statements of Operations, Balance Sheets, and Statements of Cash Flows. In the second quarter 2012, Local Corporation began exploring the possible divestiture of its Rovion business and thus labels the related assets as "assets held for sale" on its Balance Sheet. Rovion's revenue and results of operations are excluded from net income from continuing operations in all periods presented.

Figure 19
Local Corporation
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	\$ 27,072	\$ 15,477	\$ 52,104	\$ 32,272
Operating Expenses:				
Cost of revenues	19,990	10,798	37,335	21,786
Sales and marketing	4,628	4,158	10,291	7,435
General and administrative	2,799	3,291	5,185	5,907
Research and development	1,275	1,358	2,456	2,885
Amortization of intangibles	819	1,132	1,743	2,330
Impairment of goodwill and intangible assets	6,451	—	6,451	—
Total operating expenses	35,962	20,737	63,461	40,343
Operating income (loss)	(8,890)	(5,260)	(11,357)	(8,071)
Interest and other income (expense), net	(97)	(30)	(194)	(85)
Change in fair value of warrant liability	166	411	108	1,970
Income (loss) from continuing operations before income taxes	(8,821)	(4,879)	(11,443)	(6,186)
Provision for income taxes	44	48	99	59
Net income (loss) from continuing operations	(8,865)	(4,927)	(11,542)	(6,245)
Income (loss) from discontinued operations (net of taxes)	(482)	(477)	(1,007)	(477)
Net income (loss)	\$ (9,347)	\$ (5,404)	\$ (12,549)	\$ (6,722)
Per share data:				
Basic net income (loss) per share from continuing operations	\$ (0.40)	\$ (0.23)	\$ (0.52)	\$ (0.30)
Basic net income (loss) per share from discontinued operations	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.02)
Basic net income (loss) per share	\$ (0.42)	\$ (0.25)	\$ (0.57)	\$ (0.32)
Diluted net income (loss) per share from continuing operations	\$ (0.40)	\$ (0.23)	\$ (0.52)	\$ (0.30)
Diluted net income (loss) per share from discontinued operations	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.02)
Diluted net income (loss) per share	\$ (0.42)	\$ (0.25)	\$ (0.57)	\$ (0.32)
Basic weighted average shares outstanding	22,086	21,254	22,084	20,750
Diluted weighted average shares outstanding	22,086	21,254	22,084	20,750

Source: Local Corporation.

Figure 20
Local Corporation
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands, except par value)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash	\$ 7,103	\$ 10,394
Restricted cash	42	10
Accounts receivable, net of allowances of \$453 and \$550, respectively	15,224	13,456
Notes receivable - current portion	392	392
Prepaid expenses and other current assets	619	732
Assets held for sale	2,300	2,187
Total current assets	25,680	27,171
Property and equipment, net	7,499	8,018
Goodwill	25,870	31,370
Intangible assets, net	6,290	8,833
Long-term portion of note receivable	222	350
Deposits	60	69
Total assets	<u>\$ 65,621</u>	<u>\$ 75,811</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 14,514	\$ 12,193
Accrued compensation	1,730	2,152
Deferred rent	516	551
Warrant liability	99	207
Other accrued liabilities	1,599	2,422
Revolving line of credit	8,000	8,000
Deferred revenue	203	281
Liabilities held for sale	57	32
Total current liabilities	26,718	25,838
Deferred income taxes	265	265
Total liabilities	26,983	26,103
Commitments and contingencies		
Stockholders' equity (deficit):		
Convertible preferred stock, \$0.00001 par value; 10,000 shares authorized; none issued and outstanding for all periods presented	—	—
Common stock, \$0.00001 par value; 65,000 shares authorized; issued and outstanding 22,088 and 22,082, respectively	—	—
Additional paid-in capital	120,547	119,068
Accumulated deficit	(81,909)	(69,360)
Stockholders' equity	38,638	49,708
Total liabilities and stockholders' equity	<u>\$ 65,621</u>	<u>\$ 75,811</u>

Source: Local Corporation.

Figure 21
Local Corporation
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	(in thousands)	
	2012	2011
Six Months Ended June 30,		
Cash flows from operating activities:		
Net income (loss)	\$ (12,549)	\$ (6,722)
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities:		
Depreciation and amortization	3,782	3,760
Provision for doubtful accounts	38	—
Stock-based compensation expense	1,473	1,992
Change in fair value of warrant liability	(108)	(1,970)
Impairment of goodwill and intangible assets	6,451	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,806)	1,191
Note receivable	128	114
Prepaid expenses and other	122	554
Accounts payable and accrued liabilities	1,081	63
Deferred revenue	(93)	(398)
Net cash (used in) provided by operating activities	<u>(1,481)</u>	<u>(1,416)</u>
Cash flows from investing activities:		
Capital expenditures	(1,784)	(2,013)
Increase in restricted cash	(32)	—
Issuance of notes receivable	—	(1,085)
Proceeds from notes receivable	—	585
Acquisitions, net of cash acquired	—	(6,217)
Purchases of intangible assets	—	(554)
Net cash used in investing activities	<u>(1,816)</u>	<u>(9,284)</u>
Cash flows from financing activities:		
Proceeds from the exercise of warrants	—	—
Proceeds from the exercise of options	11	158
Proceeds from the public offering of common stock	—	18,227
Payment of revolving credit facility	—	(7,000)
Proceeds from revolving credit facility	—	—
Payment of financing related costs	(5)	(282)
Net cash provided by financing activities	<u>6</u>	<u>11,103</u>
Net increase (decrease) in cash	<u>(3,291)</u>	<u>403</u>
Cash, beginning of the period	<u>10,394</u>	<u>13,079</u>
Cash, end of the period	<u>\$ 7,103</u>	<u>\$ 13,482</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 212</u>	<u>\$ 64</u>
Income taxes paid	<u>\$ 7</u>	<u>\$ 11</u>

Source: Local Corporation.

Risks

Some of the information in this Executive Informational Overview® (EIO) relates to future events or future business and financial performance. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in Local Corporation's statements on its Forms 10-K, 10-Q, 8-K, and 424B3, as well as other forms filed from time to time. The content of this report with respect to Local Corporation has been compiled primarily from information available to the public released by the Company through news releases, Annual Reports, and U.S. Securities and Exchange Commission (SEC) filings. Local Corporation is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by Local Corporation or Crystal Research Associates. Certain summaries of activities have been condensed to aid the reader in gaining a general understanding. For more complete information about Local Corporation, please refer to the Company's Investor Relations website at <http://ir.local.com>.

Investors should carefully consider the risks and information about Local Corporation's business as presented in its SEC filings, including its Form 10-K filed with the SEC on March 15, 2012, and subsequently filed Form 10-Qs. Investors should not interpret the order in which these considerations are presented as an indication of their relative importance. The risks and uncertainties described in the Company's filings are not the only risks that it faces. Additional risks and uncertainties not presently known to Local Corporation or that the Company currently believes to be immaterial may also adversely affect its business. If any of the risks and uncertainties included as risk factors in Local Corporation's SEC filings develops into actual events, the business, financial condition, and results of operations could be materially and adversely affected, and the trading price of the Company's shares could decline.

For a detailed analysis of Local Corporation's most recently filed risk factors, please refer to pages 10-33 of the Company's Form 10-K filed with the SEC on March 15, 2012, (available through the SEC's website at <http://www.sec.gov/Archives/edgar/data/1259550/000119312512117466/d292437d10k.htm> as well as on Local Corporation's Investor Relations website at <http://ir.local.com>) and the Company's Quarterly Reports on Form 10-Q filed with the SEC on May 10, 2012, and August 9, 2012, and available on the SEC's website at <http://sec.gov/Archives/edgar/data/1259550/000119312512225758/d341376d10q.htm> and <http://www.sec.gov/Archives/edgar/data/1259550/000119312512347765/d371656d10q.htm>, respectively, as well as on Local Corporation's Investor Relations website at <http://ir.local.com>.

Appendix

Figure 22

LOCAL CORPORATION HAS WORKED WITH FABI'S HAIR STUDIO TO EXPAND FABI'S ONLINE PRESENCE AND REACH

Facebook and Twitter pages engage customers and increase awareness

Beautiful site design and web hosting with geo-targeted URL and custom content

A consistent brand and user experience across multiple channels add to business credibility

Mobile-optimized site features directions and click-to-call

- URL ACQUISITION (WITH ANALYTICS)
- SITE DESIGN
- CONTENT
- WEB HOSTING
- SOCIAL MEDIA
- MOBILE

Display ad and enhanced listing on Local.com raise awareness in local markets

Search engine optimization ensures top placement on major search engines

REACH

- LISTINGS
- DISPLAY
- SEO
- SEM
- LEADS
- DAILY DEAL

- More direct customers =
 - Better monetization
 - Greater margins
 - Greater defensibility
 - More visibility

Source: Local Corporation.

Glossary

Ad Creative—The design and content of an advertisement.

Algorithms—The technology that a search engine uses to deliver results to a query. Search engines utilize several algorithms in tandem to deliver a page of search results or keyword-targeted search ads.

Big Four—The four largest international professional services networks in accountancy and professional services, which handle the vast majority of audits for publicly traded companies as well as many private companies, essentially creating an oligopoly in auditing large companies. The Big Four includes PricewaterhouseCoopers LLP, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, and KPMG LLP.

Channel Partners—Companies that partner with a manufacturer or producer to market and sell the manufacturer’s products, services, or technologies. This is usually done through a co-branding relationship.

Click-through—A click by an end user on an advertisement.

Cost-Per-Action—A form of advertising where payment is dependent upon an action that a user performs as a result of the ad. The action could be making a purchase, signing up for a newsletter, or asking for a follow-up call. An advertiser pays a set fee to the publisher based on the number of visitors who take action.

Display Ads—The second most common form of advertising on the Internet. Display ads include text and some kind of image, such as a company logo or a photograph. These ads can include a type of flash animation or moving image, but the user’s interaction is limited to clicking on the ad.

Domain Name—A series of alphanumeric strings separated by periods, such as www.local.com, serving as an address for a computer network connection and identifying the owner of the address.

Geo-targeted—Specific to the geographic location of the searcher. Geo-targeting allows the advertiser to specify where ads will or will not be shown based on the searcher’s location, enabling more localized and personalized results.

Hyperlocal—An adjective used to describe a website or web content that is extremely specific to a particular neighborhood or town. Hyperlocal content is typically something that a traditional media outlet would not devote resources to covering.

Keywords—Words or phrases entered into a search engine in an effort to get the search engine to return matching and relevant results. Many websites offer advertising targeted by keywords, so ads only show when a specific keyword is entered.

Organic Search—Search engine results that come from non-paid sources.

Organic Traffic—Website traffic generated naturally through search engine optimization (SEO). “Organic” or “natural” SEO can be achieved using several techniques, including webpage optimization and link popularity build-up. Search engines assign high page ranks to optimized pages for relevant search terms and display them at the top of the search results.

Pay-Per-Click—A performance-based advertising model where the advertiser pays a set fee for every click on an ad. The majority of text ads sold by search engines are billed under the pay-per-click model.

QR Code—A black and white square-shaped bar code that, when scanned with a mobile device, directs the user’s browser to a website.

Regional Media Sites—Websites for local newspapers and other regional online publications.

Rich Media—Web advertisements that include video, audio, and/or animation.

Search Advertising—Also called Paid Search. An advertiser bids for the chance to have their ad display when a user searches for a given keyword. These are usually text ads, which are displayed above or to the right of the organic search results.

Search Engine Marketing (SEM)—The collection of practices designed to increase traffic to a site from people searching online. It includes search engine optimization (SEO), pay-per-click advertising, and other techniques for making a site and content more visible to internet users.

Search Engine Optimization (SEO)—The process of making a site and its content highly relevant for both search engines and searchers. SEO includes technical tasks to make it easier for search engines to find and index a site for the appropriate keywords, as well as marketing-focused tasks to make a site more appealing to users. Successful search marketing helps a site gain top positioning for relevant words and phrases.

Social Media—A category of sites that is based on user participation and user-generated content. They include social networking sites (e.g., LinkedIn or Facebook), social bookmarking sites (e.g., Del.icio.us), social news sites (e.g., Digg or Reddit), and other sites that are centered on user interaction.

Unique Visitors—Someone with a unique IP address who is entering a website for the first time that day (or other specified time period). A visitor who returns within the same time period is not counted twice.

White-label—A product or service offered by a supplier to a retailer, which rebrands it to look like its own. For example, local newspapers can create a private-label version of Local Corporation's business directory to include on their website.

Widget—A tool that can appear as an item on a desktop, website, or blog that allows users to quickly and easily complete a certain action, such as perform a search, subscribe to a feed, or view weather and stock information.

XML Feed—A method of providing content through the use of XML files drawn from other places or sites.

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