U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark one)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2000

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ____________

Commission File Number: 0-24217

YP.NET, INC.
(Name of Small Business Issuer in its Charter)

NEVADA	85-0206668
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4840 EAST JASMINE STREET, SUITE 105 MESA, ARIZONA	85205
(Address of principal executive offices)	(Zip Code)

(480) 654-9646
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: NONE
Securities registered under Section 12(g) of the Exchange Act:
COMMON STOCK, $.001 PAR VALUE
(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

Registrant's revenues for its most recent fiscal year were $15,836,422.

The aggregate market value of the common stock held by non-affiliates computed based on the closing price of such stock on December 31, 2000 was approximately $8,704,667.

The number of shares outstanding of the registrant's classes of common stock, as of December 31, 2000 was 41,450,798.

Documents incorporated by reference: Portions of the registrant's Proxy Statement to be filed with the Commission in connection with registrant's annual meeting to be held May 1, 2001 are incorporated by reference in Part III of this Form 10-KSB.

Transitional Small Business Disclosure Format (check one): Yes No X .

PART I

Except for historical information contained herein, this Form 10-KSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend that the forward-looking statements be subject to the safe harbors created by these statutory provisions. Forward-looking statements involve risks and uncertainties and include, but are not limited to, statements regarding future events, plans and expectations. Wherever possible, we have identified the forward-looking statements by words such as "anticipates," "believes," "contemplates," estimates," "expects," "intends," "plans," "projects," "forecasts" and similar expressions.

Our forward-looking statements reflect only our current views with respect to future events and financial performance or operations and speak only as of the date the statements are made. Our actual results may differ materially from such statements. Factors that may cause or contribute to such differences include, but are not limited to, those discussed in "Description of Business and Factors Affecting Future Performance" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as elsewhere in this report and in the exhibits incorporated by reference.

Although we believe that the assumptions underlying the forward-looking statements in this Form 10-KSB are reasonable, any of these assumptions could prove inaccurate. In addition, our business and operations are subject to

substantial risks, some of which are identified in this report and which increase the uncertainties inherent in the forward-looking statements included in this Form 10-KSB. There can be no assurance that the results contemplated in these forward-looking statements will be realized.

The inclusion of forward-looking information should not be regarded as a representation by YP.Net or any other person that the future events, plans or expectations contemplated will be achieved. We disclaim any obligation to subsequently revise forward-looking statements to reflect subsequent events or circumstances or the occurrence of unanticipated events.

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

We are in the business of providing Internet-based yellow page listing services on our Yellow-Page.Net and yp.net Web sites. Our Web sites serve as a search engine for yellow page listings in the United States and Canada. We charge our customers for a "preferred" listing of their businesses on searches conducted by consumers through our Web sites. We currently have approximately 117,732 preferred listing customers subscribing on a monthly basis.

We were originally incorporated in Nevada in 1996 as Renaissance Center, Inc. Our Articles of Incorporation were restated in July, 1997 and our name was changed to Renaissance International Group, Ltd. Our name was later changed to RIGL Corporation effective July, 1998. Our prior business involved the development of software to integrate digital multi-media equipment and components and later changed to focus on the development of software for the medial billing and practice management industry. None of these activities progressed beyond the developmental stage. In June, 1999, we acquired Telco Billing, Inc. and commenced our current operations through this entity.

From August through December, 1999, we abandoned all subsidiaries previously involved in the multi-media software and medical billing and practice management areas. With the acquisition of Telco, our business focus shifted to the Internet yellow page services business and this business is currently our sole source of revenue. In October, 1999 we amended our Articles of Incorporation to change our corporate name to YP.Net, Inc. to better identify our company with our business focus. Telco is operated as a wholly owned subsidiary of YP.Net.

OUR WEB SITES

We control the domain names Yellow-Page.Net and yp.net and maintain these Web pages for Internet access. At these Web sites, consumers can search an approximate 18 million listing database containing United States and Canadian businesses. We provide yellow page listings for these businesses along with directories and maps to the business location. We also provide nationwide 800 and 888 directory listings and search engines for e-mail addresses and persons. Our site offers stock quotes, job searches, travel services, news and weather information, movie reviews and listings, and entertainment and restaurant information.

Our directory search service integrates yellow page information by utilizing yellow page category headings in combination with a natural word search feature to provide a user-friendly interface and navigation vehicle. We enhance accuracy of responses to user queries by utilizing criteria searches in the directory services. This allows users to search by specific city, state and business categories.

We currently derive all of our revenue from selling preferred listings in the search results on our Web sites. A preferred listing is displayed at the beginning of search results obtained by users in response to their specific queries. A preferred listing is enhanced on the display of search results and includes a "mini-Web page" listing where the preferred lister can utilize up to 40 words to advertise and provide additional information regarding its business. A preferred listing customer can also link its own Web page to the search results identifying the preferred lister. We are also developing banner advertisements and outside marketing efforts as an additional revenue source. We are also developing additional revenue through logo advertisements on our direct mailer to expand services to our customers.

TECHNOLOGY AND INFRASTRUCTURE

We believe that one of our principal strengths is our internally developed technology, which we have designed specifically for handling our Internet-based data. Our technology architecture features specially designed capabilities to enhance performance, reliability and scalability of our listing data. These features consist of multiple proprietary software modules and processes that support the core internal functions of operations. The technologies include Customer Service Applications, Billing Applications, LEC Filtering Processes and Database Management.

Customer Service Applications. We have designed proprietary Customer Service Applications to enable rapid development and management of information related to our preferred listing customers in a variety of formats. This application incorporates an automated retrieval system that integrates with our other technologies. This integration enables real-time updates to our database

as our customer service representatives interact with and obtain data from our preferred listing clientele. This application also operates in conjunction with the Billing Applications.

Billing Applications. Our billing process is primarily through local exchange carriers ("LECs") which are local telephone service providers. Our LEC billings are routed to the LEC's and appear on our preferred customers' telephone billing statements. To a lesser extent, we direct bill our preferred customers. Our Billing Applications facilitate both our LEC and direct billing functions.

LEC Filtering Processes. The LEC Filtering Processes are core technologies developed to enhance the applications that support our systems. By utilizing these processes, we are able to more accurately bill our preferred listers through the appropriate LEC. These processes are a vital component of our ability to aggregate content from multiple sources for our billing process. Information is sorted and updated with a method of maintaining an expanding heterogeneous database and allows disparate data sources to be combined and deployed through a single uniform interface, regardless of data structure or content. This allows a single database query to produce a single result set containing data extracted from multiple databases. Database clustering in this manner reduces the dependence on single data sources, facilitates data updates and reduces non-conforming data submitted to the LECs.

Database Management. We have also developed a proprietary database technology to address specific requirements of our business strategy and information infrastructure services. This technology enables us to provide our services with fewer service personnel. Our database is integrated with the applications modules and the LEC Filtering Processes. This database consists of our current and potential customers and is updated on a real-time basis as a customer's data is received from new listings or through our customer service representatives. We utilize this database to maintain customer service and monitor the quality of service provided by our customer service personnel. We also use the database to determine new products desired by our customers. Our technology has been specifically designed to function with a high degree of efficiency within the unique operating parameters of the Internet, as opposed to commonly used database systems.

STRATEGIC ALLIANCES

In order to service users more effectively and to extend our Yellow-Page.Net brand to other Internet sources, we have entered into strategic relationships with business partners offering content, technology and distribution capabilities. We utilize Worldpages.com as our data listing and Web page hosting provider. Worldpages.com provides the server for our Web pages and our search engine capabilities. We have a cross-listing arrangement with Superior Business Network ("SBN"). This cross-listing arrangement increases our circulation by an additional 10,000,000 page views per month.

We are members of the Yellow Page Publication Association and the Association of Directory Publishers. These organizations are trade associations for yellow page publishers that promote quality of published content and advertising methods.

In order to broaden Yellow-Page.Net's user base we have established cross-linking relationships with operators of commercial Web sites and Internet access providers. We have over 400 affiliated Web sites that link to Yellow-Page.Net. We believe these arrangements are important to the promotion of Yellow-Page.Net, particularly among new Web users that may access the Internet through these other Web sites. These co-promotional arrangements typically are terminable at will. We also utilize Fax4free.com in a co-promotional effort to provide services to our Web site users to allow these users to receive and send unlimited facsimiles, and receive voicemail on e-mail at no charge.

Our future success will depend on our ability and to continue to integrate and distribute information services of broad appeal. Our ability to maintain our relationships with content providers and to build new relationships with additional content providers is critical to our marketing effect the success of our business.

BILLING SERVICE AGREEMENTS

In order to bill our preferred listing customers through their LECs, we are required to utilize one or more billing service integrators. These integrators have been approved by various LECs to provide billing, collection and related services through the LECs. We have entered into customer billing service agreements with Integretel, Inc. ("IGT") and with Enhanced Services Billing, Inc. ("ESBI") for these services. Under these agreements, our service providers bill and collect our charges to preferred listing customers through LEC billings. These amounts, net of reserves for bad debts, billing adjustments, telephone company fees and the integrator's fees, are remitted to us on a monthly basis.

MARKETING

Our primary marketing efforts are through direct mail solicitations that utilize a promotional discount for listing in the form of a check. We market exclusively to businesses and focus on businesses that utilize traditional published yellow page services. We utilize our database as a source for our mailing list. We have also implemented a "customer satisfaction" program. Through this program we have retained a firm to contact each of our customers to update the customer information regarding the customers business and links to the customer's Web page if applicable.

Our Preliminary Injunction signed with The Federal Trade Commission ("FTC") in July of 2000 allowed us to continue to solicit for new customers using our direct marketing piece with a few modifications. Management decided to delay any future direct marketing efforts until a final order has been agreed to by the FTC and YP.Net, Inc. Management reserves its right to change its decision not to continue its direct marketing efforts if it appears that the negotiations with the FTC become protracted and or dilution becomes a serious force affecting the company's customer base. Essentially the company has performed no direct marketing from June 1999 to the present We have been in negotiation with the FTC during this time and management believes it is possible to conclude a final order with in the next 60 days. During the fiscal period ending September 30, 2000 ("Fiscal 2000") we have been able to maintain our customer base with some dilution and attrition by developing a customer contact marketing strategy. We have been contacting our customers to update their web site and description of their business. Through these efforts we have been able to maintain our customer base with out the direct mail advertising efforts.

We intend to increase market share in our current markets through strategic acquisitions providing value-added services to our core business as well as other marketing campaigns. We are not presently a party to any acquisition agreement. We intend to develop marketing strategies to increase credibility and visibility of our Web page service to targeted markets. We also intend to promote value-added services and product areas. Our future success will depend on our ability to continue to integrate and distribute information services of broad appeal. Our ability to maintain and to build new relationships with content providers will be critical to the success of our business. These relationships and strategic acquisitions will in addition to bringing increased revenue will , management believes, lower dilution by creating a source for businesses to find the services they need. Our preferred customers will be able to obtain services at discounted prices as a consequence of their listing with us.

COMPETITION

We operate in the Internet services market, which is highly competitive and rapidly expanding. We compete with online services, other Web site operators and advertising networks, as well as traditional offline media such as television, radio, traditional yellow page directory publishers and print share advertising. Our services compete, or we expect to compete, with numerous directory, content, Web site production and other Internet information service providers. In particular, most larger LECs provide services similar to ours.

The principal competitive factors of these markets include personalization of service, ease and use of directories, quality and responsiveness of search results, availability of quality content, value-added products and services and access to end users. Competition among current and future suppliers of Internet navigational and informational services, high-traffic Web sites and Internet access providers, as well as competition with other media for advertising listings, could result in significantly lower prices for advertising and reductions in advertising revenues.

Most, if not all, of our competitors have capital resources greater than ours. These capital resources may allow our competitors to engage in advertising and other promotional activities that will enhance their brand name recognition. The LECs have the advantage of name recognition and far greater access to potential customers because they already provide these customers with local telephone exchange services.

We believe we can successfully compete in this market by providing quality services at competitive prices and due to the name recognition of our Web site.

REGULATION

The Federal Trade Commission has aggressively pursued what it perceives as deceptive practices related to direct mailer and other promotions involving the Internet and/or LEC billing type practices. We have been involved in a significant Federal Trade Commission enforcement action regarding these matters. See "Legal Proceedings" below.

We are also subject to provisions of the Federal Trade Commission Act that regulate advertising in all media, including the Internet, and require advertisers to substantiate advertising claims before disseminating advertising. The Federal Trade Commission has recently brought several actions charging deceptive advertising via the Internet and is actively seeking new cases involving advertising via the Internet.

Due to increased use, laws and regulations relating to the Internet have been adopted. These include regulation issues related to user privacy, pricing, content, taxation, copyrights, distribution, and product and services quality. Concern regarding Internet user privacy has led to the introduction of federal

and state legislation to protect Internet user privacy. In addition, the Federal Trade Commission has initiated investigations and hearings regarding Internet user privacy that could result in rules or regulations that could adversely affect our business. As a result, we could become subject to new laws and regulations that could limit our ability to conduct targeted advertising, or distribute or collect user information.

These or any other laws or regulations that may be enacted in the future could have several adverse effects on our business. These effects include substantial liability including fines and criminal penalties, the prevention of certain products or service offerings and the prevention or limitation of certain marketing practices. As a result of these and future laws and regulations, the growth in Internet usage could also be substantially limited.

EMPLOYEES

At December 31, 2000, we employed 19 full time personnel, including five software developers, eight customer service representatives, two marketing personnel, and four administrative personnel. Our employees are not covered by any collective bargaining agreements.

FACTORS AFFECTING FUTURE PERFORMANCE

YP.Net Gross Margins May Decline Over Time: We expects that gross margins may be adversely affected and YP.Net has determined that profit margins from the electronic yellow pages offerings that it has profited from in the past, has fluctuated. We have experienced a decrease in revenues from the Local Exchange Carriers (LEC) from the effects of the Competitive Local Exchange Carriers (CLEC) that are participating in providing local telephone services to customers. YP.Net has begun to correct this problem and we are implementing data filters to reduce the effects of the CLEC's. We have also sought other billing methods to reduce the adverse effects of the CLEC billings. These other billing methods may be cheaper or more expensive than our current LEC billing and the company has not yet determined if they will be less or more effective. YP.Net continues to look for profitable Internet opportunities; however there is no assurances that this can be done, and presently we have no acquisitions in progress.

YP.Net Dependence on Key Personnel: YP.Net performance is substantially dependant on the performance of its executive officers and other key employees and its ability to attract, train, retain and motivate high quality personnel, especially highly qualified technical and managerial personnel. The loss of services of any executive officers or key employees could have a material adverse effect on its business, results of operations or financial condition. Competition for talented personnel is intense, and there can be no assurance that we will be able to continue to attract, train, retain or motivate other highly qualified technical and managerial personnel in the future.

Since our Growth Rate may slow, operating results for a Particular Quarter are difficult to predict: We expect that in the future, our net sales may grow at a slower rate than experienced in previous periods and that on a quarter-to-quarter basis. This may be a direct cause of the projected changes to our direct marketing pieces as well as the fact that the company has not be performing its direct marketing at this time (SEE MARKETING). As a consequence, operating results for a particular quarter are extremely difficult to predict. Our ability to meet financial expectations could be hampered if we are unable to correct the billing through the CLEC markets seen in fourth quarters reoccurs in future periods. In addition, in response to customer demand, we continue to attempt develop new products to reduce our customer attrition ratios.

We Expect to make Future Acquisitions where Advisable and Acquisitions involve Numerous Risks: The Internet business is highly competitive, and as such, our growth is dependent upon market growth, our ability to enhance our existing products and our ability to introduce new products on a timely basis. One of the ways we have addressed and will continue to address the need to develop new products is through acquisitions of other companies. Acquisitions involve numerous risks, including the following:- Difficulties in integrating the operations, technologies, and products of the acquired companies; - The risk of diverting management's attention from normal daily operations of the business;- Risks of entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;- Insufficient revenues to offset increased expenses associated with acquisitions; and- The potential loss of key employees of the acquired companies. Mergers and acquisitions of high-technology companies are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results, or financial condition. We must also manage any growth effectively. Failure to manage growth effectively and successfully integrate acquisitions we made could harm our business and operating results in a material way.

ITEM 2. DESCRIPTION OF PROPERTY

Our corporate offices are located in Mesa, Arizona. We lease a 16,772

square foot facility for annual cost of approximately $120,000 on a long-term operating lease through June 2003. As part of the consideration related to our license of the Yellow-Page.Net URL, we sublease approximately 8,000 square feet of leased space to Business Executive Services, Inc. through August 2003 for $1.00 per year annual rent. See "Certain Relationships and Related Transactions."

We are also obligated on another lease for office space that was utilized prior to consolidating operations at the Mesa facility. The lease is through August 2002 and annual rent ranges from $202,000 to $280,000 through the remaining lease term. This space has been sublet for the full amount of the lease payment through its term. However, YP.Net remains obligated on the lease in the event the sub-tenant defaults.

ITEM 3. LEGAL PROCEEDINGS

We are currently involved in the following legal proceedings:

Federal Trade Commission. On June 26, 2000, the Federal Trade Commission ("FTC") filed a complaint in the United States District Court of Arizona against YP.Net, Inc., certain of its past and present officers and directors and other associated companies. The complaint alleged that YP.Net and the other defendants had engaged in deceptive advertising practices and sought certain preliminary injunctive remedies. The alleged deceptive practices related to the direct mailer solicitation utilized in our marketing activities.

On July 13, 2000, YP.Net entered into a negotiated settlement of the matter with the FTC. Under the terms of a stipulated preliminary order, YP.Net specifically denied that any of its practices with respect to the direct mailer were deceptive or otherwise in violation of applicable law. The stipulated preliminary order specified that the settlement agreement with the FTC was not an admission of violation of any applicable law or rule or that any allegation made by the FTC was true. YP.Net and the FTC agreed to certain modifications of the mailer and related marketing program, and the FTC agreed that the modified mailer and program would not be considered by their agency to be deceptive. Upon hearing on July 13, 2000, the District Court approved the stipulated preliminary order. YP.Net anticipates that it will enter into a stipulated final consent decree upon acceptable terms.

A Women's Place. In August, 1999, we filed a lawsuit in Superior Court of Coconino County, Arizona against Holly K. Virgil, M.D., P.C. dba A Women's Place. Prior management had negotiated an agreement to provide this medical practice with management services and thereafter advanced interim funding. To current management's knowledge no services contract was entered into. We are seeking damages of approximately $235,000 for recovery of advances. The defendant has counter-claimed for breach of contract and has claimed unspecified damages. In December, 2000 we agreed in principal to settle the case for 5 payments of $25,000 per month starting January, 2001 and Holly K. Vigil would return and deliver 220,000 shares of YP.Net common stock. The stock will be treated as treasury stock for YP.Net.

Hudson Consulting Group. We are a party to an interpleader action filed by American Registrar Transfer Agent, our stock transfer agent, in the Third Judicial Court for Salt Lake County, Utah. The suit names Bruce M. Pritchett, Hudson Consulting Group, Inc., Montana Capital International, Ltd. and Moore & Elrod, Inc., as well as YP.Net as defendants. The Company under prior management and directors, in the course of pursuing equity financing, engaged the services of The Hudson Consulting Group, AK Elrod, and Allen Wolfson et al in the State of Utah. The Company later became aware of certain legal issues pertaining to The Hudson Consulting Group and some of its principals. The Company believes the shares were improperly issued for no valid consideration in that the Company claims it received no services as outlined in the agreement. Current management ordered a "stop transfer" on the shares. Upon the transfer agent refusing the transfer, The Hudson Consulting Group and its transferees threatened litigation. The transfer agent filed an interpleader action and tendered the shares to the court to determine ownership. The Company is seeking return of the outstanding 2,000,000 shares of the common stock. The Company has made an offer to settle the disagreement by having the other parties return the approximately 2,000,000 shares and having the Company reissue 500,000 shares. The other parties responded by stating that they would agree to return 500,000 shares. The Company believes that it is likely that this matter will be litigated but believes that the likelihood of a favorable decision is high. If the dispute is not settled in the Company's favor, the resulting expense would be determined on the basis of the stock price at the time of the settlement. Due to the uncertainty of this matter, and the opinion of Company counsel that the Company will settle for a return of a substantial number of disputed shares.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the shareholders during the fourth fiscal quarter covered by this Form 10-KSB.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

OUR COMMON STOCK

Our common stock is traded in the over-the-counter market under the symbol

"YPNT." Our symbol had been "RIGL" prior to October, 1999. Prior to March 23, 2000 our common stock was traded on the OTC Bulletin Board, but was delisted due to failure to timely file required reports under the Exchange Act, including this Form 10-KSB. We anticipate that our common stock will be relisted on the OTC Bulletin Board when all listing criteria has been satisfied.

The following table sets forth the quarterly high and low bid prices per share for the common stock, as reported by the OTC Bulletin Board for the periods prior to March 23, 2000 and by the National Quotation Bureau for the periods on and after March 23, 2000. The quotations represent inter-dealer quotations, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions.

FISCAL YEAR	QUARTER ENDED	HIGH	LOW
1999	December 31, 1998	$0.50	$0.50
	March 31, 1999	$1.19	$1.00
	June 30, 1999	$1.50	$1.50
	September 30, 1999	$1.06	$1.00
2000	December 31, 1999	$ .24	$ .21
	March 31, 2000	$ .52	$ .25
	June 30, 2000	$ .35	$ .30
	September 30, 2000	$ .50	$ .32

On September 30, 2000 there were approximately 604 shareholders of record of our common stock. The transfer agent for our common stock is American Registrar Transfer Agent in Salt Lake City, Utah.

DIVIDEND POLICY

Under Nevada law, dividends may only be paid out of net profits. Prior to our acquisition of Telco, no significant revenue had been generated. We have not paid, and do not currently intend to pay, cash dividends on our common stock in the foreseeable future. The current policy of the Board of Directors is to retain all earnings, if any, to provide funds for operation and expansion of our business. We are also subject to restrictions and restrictive covenants on the payment of dividends under the terms of our credit facility provided by Finova Financial, Inc. In addition to statutory and contractual requirements, the declaration of dividends, if any, will be subject to the discretion of the Board of Directors, which may consider such factors as our results of operations, financial condition, capital needs and acquisition strategies, among others.

SALES OF UNREGISTERED SECURITIES

During the three month period ended September 30, 2000, there no YP.Net shares issued.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this report are forward-looking statements that involve risks and uncertainties. Several factors could cause actual results to differ materially from those described in such forward-looking statements. These include our ability to manage growth, involvement in litigation, competition in the advertising market, ongoing contractual relationships, dependence upon key personnel, changes in customer attrition and the adoption of new, or changes in, accounting policies or practices and estimates and the application of such policies, practices and estimates, and federal and state governmental regulation, specifically in the areas of Internet advertising products and services.

OVERVIEW

We provide Internet-based yellow page listing services on our Yellow-Page.Net and yp.net Web sites. We acquired Telco Billing, Inc. in June 1999, and as a result of this acquisition changed our primary business focus to become an electronic yellow page listing service. Our Web sites serve as a search engine for yellow page listings in the United States and Canada. We charge our customers for a preferred listing of their businesses on searches conducted by consumers through our Web sites.

With the acquisition of Telco, we discontinued our prior operations in the multi-media software and medical billing and practice management areas. We completed closing down our operations in these areas in the fiscal quarter ended December 31, 1999. We anticipate continued operations in our Internet yellow page listings business and in other Internet-based product areas. We have experienced continued increases in competition in the electronic yellow page market, and continue to seek joint venture and investment acquisition opportunities to potentially lessen the effects of competition in the electronic yellow page markets.

From March 1999 to February 2000, all former officers resigned or were removed. During this same period, all but one of the former directors resigned. On February 3, 2000 a new Board of Directors was constituted. The current Board members are Angelo Tullo, Walter Vogel, Daniel L. Coury, Sr., Wallace Olsen, Jr., DeVal Johnson, Gregory B. Crane and Harold A. Roberts. This change was initiated in part by changes in core business endeavors and strategies resulting from the acquisition of Telco and our focus on the Internet electronic yellow page advertising business and due to a lack of confidence in former management's ability to successfully operate this business.

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YP.Net was originally incorporated in Nevada in 1996 as Renaissance Center, Inc. Renaissance Center and Nuclear Corporation merged in 1997. Our articles of incorporation were restated in July 1997 and our name was changed to Renaissance International Group, Ltd. Our name was later changed to RIGL Corporation in July 1998. With the acquisition of Telco and shift of the focus of our business, our corporate name was again changed to YP.Net, Inc., effective October 1, 1999. The new name was chosen to reflect our focus on our Internet-based yellow page services.

FISCAL 2000 OPERATIONS

We utilized direct mailings as our primary marketing program. At October 1, 1999, we had 103,133 customers subscribing to our services. Our subscribing customers increased to 114,409 at December 31, 1999, 129,457 at March 31, 2000, 143,292 at June 30, 2000 and 130,592 at September 30, 2000, a 21% increase for the fiscal year. We believe the increase in our customer base for these periods was primarily a result of our marketing efforts. The FTC filed a temporary restraining order on YP.Net and 12 days later the order was lifted and we began our negotiations with the FTC to settle the matter. The FTC did not ban us from sending any direct mail solicitations however, it was managements' decision to not send any new direct mailers to new customers until the mail solicitation piece had been reviewed and approved by the FTC. We have been in negotiations on the design and contents of the mailer piece and we anticipate that a final order from the FTC is possible within the next 60 days. In Fiscal 2001 we intend to send out direct mail solicitations designed and approved by the FTC and will continue our marketing efforts and growth of our customer base. In March 2000, we implemented a customer contact program to attempt to increase our customer satisfaction and decrease customer attrition. We believe that this program has and will continue to provide these results. In the upcoming fiscal year we will continue our customer contact program to develop and market new products to our existing customer base.

Expenditures related to professional and consulting fees were significant in the fiscal year ended September 30, 2000. Existing management believes that these expenditures will not be as significant in future periods. Management is actively pursuing rescission and cancellation of certain common and preferred stock that was previously issued by former management for services. This action may adversely affect our future earnings due to costs of potential litigation that may result from management pursuing recession. However, if we are successful in canceling some or all of these shares, our total outstanding shares will decrease which will positively affect our per share operating results in the future. Management has offered to settle certain of the disputed share issuances with a return for cancellation of 1,500,000 of the class B preferred shares issued to prior management. The return and cancellation of the Hudson Consulting Group etal with full cancellation of 2,000,000 shares of common stock issued by prior management and the issuance of 500,000 shares of common stock in full settlement of the dispute. The return and cancellation of 500,000 of common shares of BJM Consulting and the newly issued 500,000 shares of common stock for new consulting services presently engaged.

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On December 6, 1999, prior management entered into an engagement with McGladry & Pullen, LLP ("M&P") to conduct the audit of our financial statements for the fiscal year ended September 30, 1999. M&P estimated the cost to prepare the fiscal year end audit to be from $75,000 to $150,000 with an estimated completion date of January 28, 2000. We incurred and paid audit fees of $150,000 in the three months ended March 31, 2000 in addition to the $150,000 incurred and paid in the previous three month period. In January 2000, M&P informed management that the estimated cost to complete the audit would be an additional $200,000. In February 2000, after the new Board of Directors was appointed, M&P was dismissed as our auditors. The Board of Directors appointed a new independent auditor, King, Weber & Associates, P.C.

During the third quarter ended June 30, 2000 and fourth quarter ended September 30, 2000 our expenditures for legal fees were substantially increased for due to the FTC orders and negotiations, and the additional expenditures to become current with the SEC filings that were previously delinquent. Management expects the legal expenditures for those periods to not reoccur.

During the fiscal year ended September 30, 2000, significant shares of stock were issued to prior officers and consultants for services. The value of those shares was determined based on the trading value of the shares at the dates on which the agreements were made for the services. The expense recorded for that consideration is equal to 90% of the trading value of the shares as a discount for the regulatory restrictions on trading of those shares. During the year ended September 30, 2000, YP.Net issued 1,490,334 shares to consultants and 550,000 shares to current and 253,611 shares to former officers and directors valued at $865,095.

The cost of the Yellow-Page.Net URL was capitalized at its cost of $5,000,000. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $149,166 for the year ended September 30, 1999. Annual amortization expense in future years related to the URL is anticipated to be approximately $250,000.

RESULTS OF OPERATIONS

The acquisition of Telco was treated as a reverse merger for financial accounting purposes. As a result of being treated as a reverse merger, Telco was deemed to be the acquiring entity. For financial accounting purposes, Telco

was considered to have engaged in a recapitalization and acquired the assets of RIGL as of June, 1999. As a result of this treatment, the financial statements for the year ended September 30, 1999 are the historic statements of Telco with the operations of "old" RIGL being included from June, 1999 forward. The financial statements for the fiscal year ended September 30, 2000 include operations of both YP.Net and Telco for the entire period.

Fiscal Year End September 30, 2000 Compared to Fiscal Year End September 30, 1999.

Revenues for the year ended September 30, 2000 ("Fiscal 2000") increased 84% to $15,836,422 from $8,572,185 during the year ended September 30, 1999 ("Fiscal 1999"). The increase in revenue is principally the result of Telco's operations for the full fiscal period. Prior to the acquisition, no material operations had been commenced.

Sales and marketing expenses for Fiscal 2000 were $1,619,113 as compared to $3,714,427 for the Fiscal 1999. The increase was principally the result of expended marketing due to the operations of Telco. The marketing expenses are attributed to our direct response marketing, which is our primary source of attracting new customers.

General and administrative expenses for Fiscal 2000 was $5,392,860 as compared to $1,731,209 for Fiscal 1999. The increase was principally the result of billing fees due to the operations of Telco and the increase in consulting fees, legal fees, and accounting fees. The general expenses are attributed to the additional costs to become current on our SEC filings and substantial legal fees to negotiate with the FTC.

Interest expense for Fiscal 2000 was $853,761 compared to $410,319 for Fiscal 1999. The increase in interest expense was a result of increased debt due to the acquisition of Telco and the acquisition of the URL Yellow-Page.Net.

At Fiscal 2000 we had unused Federal net operating losses of $3,985,962 available under Internal Revenue Code 382 - change in control rules expiring from 2011 through 2014. The Company has no available net operating loss carryforwards under the separate return limitation year and has unavailable net operating loss carryforwards of $3,985,962. The Company may utilize the unavailable net operating loss carryforwards of $3,985,962 upon generating taxable income in YP.Net, Inc rather than in the company's wholly owned subsidiary Telco Billing, Inc.

At Fiscal 2000 we had unused state net operating losses of $1,931,900 available under the change in control rules expiring 2003. We had no available net operating loss carryforwards under the separate return limitation year and has unavailable net operating loss carryforwards of $1,931,900. We may utilize the unavailable net operating loss carryforwards of $1,931,900 upon generating taxable income in that operating entity.

Net profits for Fiscal 2000 were $2,847,977, or $.07 per share, compared to losses of $4,363,687, or ($.20) per share for Fiscal 1999.

LIQUIDITY AND CAPITAL RESOURCES

Our cash balance decreased to $219,613 at Fiscal 2000 from a $255,324 at Fiscal 1999. We funded working capital requirements primarily from cash generated from financing activities and utilized cash in operating activities and investing activities and the reduction of debt. We have a credit facility used primarily to finance our receivables.

Operating Activities. Cash provided by operating activities increased for Fiscal 2000 to $960,303 compared to cash used by operating activities of $691,780 from Fiscal 1999, a 172% increase. The principal source of our operations revenue is from sales of electronic yellow page advertising.

Investing Activities. Cash used by investing activities was $211,803 for Fiscal 2000 compared to $106,512 for Fiscal 1999. We purchased $211,803 of additional computer equipment to upgrade and replace incompatible equipment for Fiscal 2000 compared to $203,662 for Fiscal 1999. We used $3,000,000 for partial payment of the purchase of the 20-year license right to the URL Yellow-Page.Net, the domain name for our Web site. We obtained cash in the amount of $3,124,150, which was utilized in the business combination.

Financing Activities. Cash flows used from financing activities were $784,211 in Fiscal 2000 compared to cash flow provided from financing activities of $1,023,364 for Fiscal 1999, a 123% increase. We had cash inflow from the financing arrangements in the amount of $789,241 for Fiscal 2000 compared to $788,306 for Fiscal 1999 and from the sale of common stock of $84,329 for Fiscal 2000 compared to $629,681 for Fiscal 1999. We had cash outflow for notes paid in the amount of $1,657,781 for Fiscal 2000 compared to $394,623 for Fiscal 1999.

We incurred debt in the acquisition of the license right to the Yellow-Page.Net URL. A total of $4,000,000 was borrowed, $2,000,000 from Joseph and Helen VanSickle and $2,000,000 as a carry-back from Matthew & Markson Ltd. Management has dedicated payments in the amount of $100,000 per month for the

payment of the VanSickle note. Management has also dedicated payments to the Matthew & Markson note in the amount of $100,000 per month, with the provision that no payment be made if YP.Net has less than 30 days operating capital reserved, or if it is in an uncured default with any of its lenders. A total of 4,500,000 shares were issued to secure these notes and are held in escrow.

Collections on accounts receivables are received primarily through the billing service integrators under contract to administer this billing and collection process. The billing service providers generally do not remit funds until they are collected. The billing companies maintain holdbacks for refunds and other uncertainties. Generally, cash is collected and remitted to YP.Net over a 90 to 120 day period subsequent to the billing dates.

YP.Net markets it products primarily through the use of direct mailers to businesses throughout the United States. YP.Net generally pays for these marketing costs when incurred and amortizes the costs of direct-response advertising on a straight-line basis over eight months. The amortization lives are based on estimated attrition rates. During the Fiscal 2000 YP.Net paid $3,206,576 compared to fiscal 1999, YP.Net paid $2,029,575 for direct-response advertising. Management anticipates the outlays for direct-response advertising to remain consistent over the near term.

YP.Net does not intend to incur significant capital expenditures in the near term.

Financial Institution Lending Agreements. We have an existing asset-based collateralized line of credit with Finova Capital Corporation. Because of certain technical defaults under the terms of the loan agreement, which occurred under prior management, Finova exercised its right to terminate the agreement. We have entered into letter agreements whereby Finova has agreed to forbear the exercise of any of its available remedies through March 3, 2001. Our line of credit has been reduced to $1,400,000 for the period of November 6, 2000, $1,200,000 for the period of December 5, 2000 and $1,000,000 for the period of February 7, 2001. Management is seeking other potential lenders that specialize in financing businesses utilizing LEC billings. We do not anticipate these changes to have an adverse affect on our ability to continue operating at our current levels.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YP.NET, INC.

CONSOLIDATED FINANCIAL STATEMENTS AS OF
SEPTEMBER 30, 2000
AND INDEPENDENT AUDITORS' REPORT

YP.NET, INC.

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INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors of
YP.Net, Inc.:

We have audited the accompanying consolidated balance sheet of YP.Net, Inc. as

of September 30, 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YP.Net, Inc. as of September 30, 2000, and the consolidated results of its operations and cash flows for each of the two years in the period ended September 30, 2000, in conformity with generally accepted accounting principles.

/s/ MARSHALL & WEBER, CPA's, PLC
Scottsdale, Arizona
December 20, 2000

<TABLE>
<CAPTION>

YP.NET, INC.

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2000

<S>	<C>
ASSETS:	
CURRENT ASSETS	
Cash	$ 219,613
Accounts receivable, net of allowance of $1,796,852	3,705,881
Customer acquisition costs, net of accumulated amortization of $2,975,678	230,898
Prepaid expenses and other assets	99,229
Deferred income taxes	771,382
Total current assets	5,027,003
PROPERTY AND EQUIPMENT, net	502,708
DEPOSITS	13,287
INTELLECTUAL PROPERTY- URL, net of accumulated amortization of $630,833	4,379,167
DEFERRED FINANCING COSTS	21,250
TOTAL ASSETS	$9,943,415
LIABILITIES AND STOCKHOLDERS' EQUITY:	
CURRENT LIABILITIES:	
Accounts payable	$ 103,015
Accrued liabilities	328,128
Line of credit	1,577,547
Notes payable - current portion	2,370,019
Income taxes payable	260,427
Total current liabilities	4,639,136
DEFERRED INCOME TAXES	105,868
Total liabilities	4,745,004
STOCKHOLDERS' EQUITY:	
Series B preferred stock, $.001 par value, 2,500,000 shares designated, 1,500,000 issued	1,500
Common stock, $.001 par value, 50,000,000 shares authorized, 40,560,464 issued and outstanding	40,561
Paid in capital	5,769,113
Treasury stock at cost	(69,822)
Accumulated deficit	(542,941)
Total stockholders' equity	5,198,411
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,943,415

</TABLE>

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

<TABLE>
<CAPTION>
YP.NET, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

<S>	2000 <C>	1999 <C>
NET REVENUES	$15,836,422	$ 8,572,185
OPERATING EXPENSES:		
Cost of services	5,234,906	4,760,026
General and administrative expenses	5,392,860	1,731,209
Sales and marketing expenses	1,619,113	3,714,427
Depreciation and amortization	616,660	192,469
Total operating expenses	12,863,539	10,398,131
OPERATING INCOME/(LOSS)	2,972,883	(1,825,946)
OTHER (INCOME) AND EXPENSES		
Interest expense	853,761	410,319
Interest income	(802)	(5,401)
Other Income	(82,846)	-
Total other expense	770,113	404,918
INCOME/(LOSS) BEFORE DISCONTINUED OPERATIONS AND INCOME TAXES	2,202,770	(2,230,864)
INCOME TAX (BENEFIT) PROVISION	(645,207)	240,119
INCOME/(LOSS) FROM CONTINUING OPERATIONS	2,847,977	(2,470,983)
LOSS FROM DISCONTINUED OPERATIONS		
Loss from operations of medical billing services segment (no effect for income taxes)	-	(221,194)
Loss from abandonment of medical billing services segment (no effect for income taxes)	-	(1,671,510)
Total	-	(1,892,704)
NET INCOME/(LOSS)	$ 2,847,977	$(4,363,687)
NET INCOME/(LOSS) PER SHARE:		
Basic:		
Continuing operations	$ 0.07	$ (0.11)
Discontinued operations	-	(0.09)
Total Basic	$ 0.07	$ (0.20)
Diluted:		
Continuing operations	$ 0.07	$ (0.11)
Discontinued operations	-	(0.09)
Total Diluted	$ 0.07	$ (0.20)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	40,120,829	22,223,757
Diluted	40,120,829	22,223,757

</TABLE>

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

<TABLE>
<CAPTION>
YP.NET, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PREFERRED A SHARES	PREFERRED A AMOUNT	TREASURY STOCK	PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE OCTOBER 1, 1998	17,000,000	$17,000	-	$ -	$ -	$ -	$ 972,769	$ 989,769
Reverse merger	14,714,603	14,715			(69,822)	1,777,670		1,722,563
Common stock issued for service rendered	1,694,500	1,695				2,143,483		2,145,178
Common stock issued for cash	847,750	848				627,985		628,833
Common stock issued as collateral for on note payable	2,000,000	2,000				(2,000)		0
Common stock placed in escrow as collateral on debt	2,500,000	2,500				(2,500)		0
Employee preferred stock grants			1,700,000	1,700		(1,700)		0
Conversion of debt	400,000	400				349,600		350,000
Net loss							(4,363,687)	(4,363,687)
BALANCE SEPTEMBER 30, 1999	39,156,853	$39,157	1,700,000	$ 1,700	$(69,822)	$4,892,538	$(3,390,918)	$ 1,472,655

</TABLE>

(CONTINUED)

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

<TABLE>
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YP.NET, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999 (CONTINUED)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PREFERRED A SHARES	PREFERRED A AMOUNT	TREASURY STOCK	PAID-IN CAPITAL	ACCUMULATED DEFICIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE OCTOBER 1, 1999	39,156,853	$39,157	1,700,000	$ 1,700	$(69,822)	$4,892,538	$(3,390,918)
Common stock issued for consulting services	500,000	500				463,450	
Common stock issued for exercised options	53,611	54				84,275	
Common stock issued as board of directors' fees	550,000	550				114,950	
Common stock issued to former officer to convert preferred shares and as final compensation settlement	200,000	200	(200,000)	(200)		89,800	
Common stock issued to settle lease agreement	100,000	100				124,100	
Net income							2,847,977
BALANCE SEPTEMBER 30, 2000	40,560,464	$40,561	1,500,000	$ 1,500	$(69,822)	$5,769,113	$ (542,941)

	TOTAL
<S>	<C>
BALANCE OCTOBER 1, 1999	$1,472,655
Common stock issued for consulting services	463,950
Common stock issued for exercised options	84,329
Common stock issued as board of directors' fees	115,500
Common stock issued to former officer to convert preferred shares and as final compensation settlement	89,800

Common stock issued to settle lease agreement	124,200
Net income	2,847,977
BALANCE SEPTEMBER 30, 2000	$5,198,411

</TABLE>

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

<TABLE>
<CAPTION>
YP.NET, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	2000	1999
<S>	<C>	<C>
Net income/(loss)	$ 2,847,977	$(4,363,687)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss from discontinued operations	-	221,194
Loss on abandonment of net assets of discontinued operations	-	1,671,510
Depreciation and amortization	144,993	30,338
Issuance of common stock as compensation for services	669,250	2,146,872
Loss on disposal of equipment	-	89,319
Deferred income taxes	(645,207)	(20,307)
Conversion of accrued interest to common stock	-	100,000
Provision for Uncollectible Accounts	1,590,840	-
Amortization of intellectual property	471,667	149,166
Changes in assets and liabilities (net of business acquisitions and divestures):		
Trade and other accounts receivable	(4,345,544)	(124,826)
Customer acquisition costs	403,002	(264,981)
Other receivables	77,182	(32,671)
Prepaid and other current assets	39,621	(9,616)
Other assets	-	49,525
Accounts payable	48,014	(71,348)
Accrued liabilities	(119,232)	202,118
Deferred Financing Costs	102,500	-
Income taxes payable	-	260,427
Deferred revenue	(324,760)	324,760
Cash provided by continuing operations	960,303	357,793
Cash used by discontinued operations	-	(1,049,573)
Net cash provided/(used) by operating activities	960,303	(691,780)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(211,803)	(230,662)
Purchase of intellectual property	-	(3,000,000)
Cash acquired in business acquisition	-	3,124,150
Net cash (used in) investing activities	(211,803)	(106,512)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on line of credit	789,241	788,306
Principal repayments on notes payable	(1,657,781)	(394,623)
Proceeds from sale of common stock	84,329	629,681
Net cash (used)/provided by financing activities	(784,211)	1,023,364
(DECREASE)/INCREASE IN CASH	(35,711)	225,072
CASH, BEGINNING OF YEAR	255,324	30,252
CASH, END OF YEAR	$ 219,613	$ 255,324

</TABLE>

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

YP.NET, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS, (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

- ---

SUPPLEMENTAL CASH FLOW INFORMATION:

	2000	1999
Interest Paid	$833,993	$ 64,677
Income taxes paid	$ -0-	$ -0-

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

	2000	1999
Common stock issued in settlement of lease	$124,200	$ -0-
Conversion of debt to common stock	$ -0-	$ 250,000
Note payable issued for purchase of intellectual property	$ -0-	$2,000,000
Common stock issued for business acquisition	$ -0-	$1,722,563

1. ORGANIZATION AND BASIS OF PRESENTATION

YP.Net, Inc. (the "Company"), formally RIGL Corporation, had previously attempted to develop software solutions for medical practice billing and administration. The Company had made acquisitions of companies performing medical practice billing services as test sites for its software and as business opportunities. The Company was not successful in implementing its medical practice billing and administration software products and looked to other business opportunities. The Company acquired Telco Billing Inc. ("Telco") in June 1999, through the issuance of 17,000,000 shares of the Company's common stock. Prior to its acquisition of Telco, RIGL had not generated significant or sufficient revenue from planned operations.

Telco was formed in April 1998, to provide advertising and directory listings for businesses on its Internet web site in a "Yellow Page" format. Telcoprovides those services to its subscribers for a monthly fee. These services are provided primarily to all business throughout the United States. Telco became a wholly owned subsidiary of YP.Net, Inc. after the June 16, 1999 acquisition.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and includes the accounts and results of operations of the Company and Telco, its wholly owned subsidiary, for the year ended September 30, 2000. The consolidated results of operations and cash flows for the year ended September 30, 1999 include that of Telco for the year ended September 30, 1999, and YP.Net (formerly RIGL) from the June 16, 1999 acquisition date through September 30, 1999.

At the time that the transaction was agreed to, the Company had 12,567,770 common shares issued and outstanding. As a result of the merger transaction with Telco, there were 29,567,770 common shares outstanding, and the former Telco stockholders held approximately 57% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Telco, under the purchase method of accounting, and was treated as a recapitalization with Telco as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the June 16, 1999, acquisition of the Company. The financial statements have been prepared to give retroactive effect to October 1, 1998, of the reverse acquisition completed on June 16, 1999, and represent the operations of Telco. Consistent with reverse acquisition accounting: (i) all of Telco's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on June 16, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may exceed government insured limits. At September 30, 2000, cash deposits exceeded those insured limits

by $110,000.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Telco Billing, Inc. All significant inter-company accounts and transactions are eliminated.

Customer acquisition costs represent the direct response marketing costs that are incurred as the primary method by which customers subscribe to the Company's services. The Company purchases mailing lists and sends advertising materials to prospective subscribers from those lists. Customers subscribe to the services by positively responding to those advertising materials which serve as the contract for the subscription. The Company capitalizes and amortizes the costs of direct-response advertising on a straight-line basis over eight months. The amortization lives are based on estimated attrition rates. The Company capitalized expenditures of $1,177,000 and $1,464,000 during the years ended September 30, 2000 and 1999 respectively. The Company amortized those capitalized amounts at $1,580,000 and $1,237,000 during the years ended September 30, 2000 and 1999 respectively.

The Company also incurs advertising costs that are not considered direct-response advertising. These other advertising costs are expensed when incurred. These advertising expenses were $30,099 and $168,744 for the years ended September 30, 2000 and 1999 respectively.

Property and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 5 years. Depreciation expense was $144,993 and $30,338 for the years ended September 30, 2000 and 1999 respectively.

Revenue recognition: The Company's revenue is generated by customer subscriptions of directory and advertising services. Revenue is billed and recognized monthly for services subscribed in that specific month. The Company utilizes outside billing companies to transmit billing data, much of which is forwarded to Local Exchange Carriers ("LEC's") that provide local telephone service. Monthly subscription fees are generally included on the telephone bills of the customers. The Company recognizes revenue based on net billings accepted by the LEC's. Due to the periods of time for which adjustments may be reported by the LEC's and the billing companies, the Company estimates and accrues for dilution and fees reported subsequent to year-end for initial billings related to services provided for periods within the fiscal year.

Revenue for billings to certain customers whom are billed directly by the Company and not through the LEC's, is recognized on the basis of cash received due to poor experience associated with the collection of such billings.

Some customers subscribe for a full year of service and pay in advance for the service. The revenue associated with these subscriptions is deferred and recognized ratably over twelve months.

Income taxes: The Company provides for income taxes based on the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of financial statements.

Financial Instruments: Financial instruments consist primarily of cash, accounts receivable, and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash, accounts receivable, accounts payable, accrued expenses and notes payable approximate fair value because of the short maturity of those instruments. The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the year. The Company has adopted the provisions of SFAS No. 128 Earnings Per Share.

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

Stock-Based Compensation: Statements of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, ("SFAS 123") established

accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. In accordance with SFAS 123, the Company has elected to continue accounting for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The proforma effect of the fair value method is discussed in Note 15.

Impairment of long-lived assets is assessed by the Company for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

Recently Issued Accounting Pronouncements: In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. Management believes that the Company's revenue recognition policies have complied with the those prescribed in SAB 101 and therefore, the adoption of SAB No. 101 did not have a material effect on the Company's revenues or revenue recognition policy.

3. ACCOUNTS RECEIVABLE

The Company provides billing information to third party billing companies for the majority of its monthly billings. Billings submitted are "filtered" by these billing companies and the LEC's. Net accepted billings are recognized as revenue and accounts receivable. The billing companies remit payments to the Company on the basis of cash ultimately received from the LEC's by those billing companies. The billing companies and LEC's charge fees for their services which are netted against the gross accounts receivable balance. The billing companies also apply holdbacks for the remittances for potentially uncollectible accounts. These dilution amounts will vary due to numerous factors and the Company may not be certain as to the actual amounts of dilution on any specific billing submittal until several months after that submittal. The Company estimates the amount of these charges and holdbacks based historical experience and subsequent information received from the billing companies. The Company estimates uncollectible account balances and provides an allowance for such estimates.

The Company entered into a customer billing service agreement with Integretel, Inc. Integretel provides billing and collection and related services. Determining the net realizable value requires an estimation of both uncollectible receivables or any returns and allowances. The trade receivable due from Integretel at September 30, 2000 was $2,135,486. These receivables have been reduced by an allowance for doubtful accounts of $640,646.

The Company also entered into a customer billing service agreement with Enhanced Services Billing, Inc. (ESBI). ESBI provides billing and collection and related services very similar to Integretel discussed above. Determining the net realizable value requires an estimation of both uncollectible receivables or any returns and allowances. The trade receivable due from ESBI at September 30, 2000 was $2,944,316 less aggregated amounts for telco fees, and reserve holdbacks based on dilution. This trade receivable has been reduced by an allowance for doubtful accounts of $765,522.

Trade subscription receivables, which are directly administered and carried by the Company, are valued and reported at net realizable value, the net amount expected to be received. This amount may or may not be necessarily the amount received. Determining the net realizable value requires an estimation of both uncollectible accounts or any returns and allowances. The net trade subscriptions receivable at September 30, 2000 was $32,247.

The Company experienced significant dilution from the billing companies during the year ended September 30, 2000. The billing companies began increasing their holdbacks on billing submittals because of submittals being rejected by the LEC's due to incompatible billing information. The Company has attempted to resolve these matters with the billing companies. The Company has resubmitted billing company rejections of $862,000 subsequent to September 30, 2000, that relate to services provided prior to September 30, 2000. This amount is included in the gross accounts receivable balances at September 30, 2000. The Company's management believes that problems associated with the billing information have been resolved and that the collection of these receivables, net of applicable reserves, will occur in the normal course of the Company's operations

4. INTELLECTUAL PROPERTY

In connection with the Company's acquisition of Telco, the Company was required to provide accelerated payment of license fees for the use of the Internet domain name or Universal Resource Locator (URL) Yellow-page. net.

Telco had previously entered into a 20-year license agreement for the use of the URL with one of its two 50% stockholders. The original license agreement required annual payments of $400,000. However, the agreement stated that upon a change in control of Telco, a $5,000,000 accelerated payment is required to maintain the rights under the licensing agreement. The URL holder agreed to discount the accelerated payments from $8,000,000 to $5,000,000 at the time of the acquisition. The Company agreed to make that payment upon effecting the acquisition of Telco.

The Company made a $3,000,000 cash payment and issued a note payable for $2,000,000 to acquire the licensing rights of the URL. The Company also issued 2,000,000 shares of its common stock to be held as collateral on the note. The note payable was originally due on July 15, 1999. The Company failed to make the $2,000,000 payment when due. The repayment terms were renegotiated to extend the due date to January 15, 2000. An extension fee of $200,000 was paid by the Company at that time. The Company again renegotiated the repayment terms on April 26, 2000, to a demand note, with monthly installments of $100,000 subject to all operating requirements, which, management believes, have subsequently been met by the Company.

The URL is recorded at its cost net of accumulated amortization. Management believes that the Company's business is dependent on its ability to utilize this URL given the recognition of the Yellow page term. Also, its current customer base relies on the recognition of this term and URL as a basis for maintaining the subscriptions to the Company's service. Management believes that the current revenue and cash flow generated through use of Yellow-page.net substantiates the net book value of the asset. The Company will periodically analyze the net book value of this asset and determine if an impairment has occurred. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $471,667 and $149,166 for the years ended September 30, 2000 and 1999 respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2000:

Leasehold improvements	$ 317,507
Furnishings and fixtures	197,261
Office and computer equipment	248,487
Total	763,255
Less accumulated depreciation	(260,547)
Property and equipment, net	$ 502,708

The Company has provided certain equipment and improvements to an affiliated entity at no cost to that affiliated entity. This arrangement was made as part of the Company's original default settlement with the prior owners of the URL discussed in Note 4. The Company retains title and control of these assets. However, they are not being utilized by the Company. The gross cost of the office equipment and leasehold improvements being utilized by the affiliated entity was approximately $250,000 at September 30, 2000.

6. NOTES PAYABLE AND LINE OF CREDIT

Notes payable at September 30, 2000 are comprised of the following:

1,7000,000 Revolving line of credit, interest at the prime rate plus 6% (15.5% at September 30, 2000). The facility is limited to 70% of eligible accounts receivable. All assets of the Company collateralize the credit facility. The credit facility expires on February 4, 2001 under the amended forbearance agreement.	$ 1,577,547
Term loan from bank. Original balance of $40,525. Repayment terms require monthly installments of principal and interest of $1,844. Interest at 8.5% per annum. Due January 13, 2001. Collateralized by equipment.	5,503
Note payable to stockholders, original balance of 2,000,000, interest at 10% per annum. Repayment terms require monthly installments of $100,000 plus interest. Due January 11, 2001. Collateralized by 2,000,000 shares of the Company's common stock.	600,000
Note payable to former Telco shareholder for balance of URL purchase price (Note 4). Repayment terms require monthly installments of principal and interest at 20% per annum of $100,000 and due upon demand. Collateralized by 2,000,000 shares of the Company's common stock	1,764,516
Totals	3,947,566

Less current portion	(3,947,566)
Long-term portion	$ -0-

The line of credit facility has been operated under a forbearance agreement with the lender since August 4, 2000, due to certain defaults by the Company of the loan agreement. Under the forbearance agreement, the lender has agreed to continue making advances in accordance with the original loan agreement as amended by the forbearance agreement. The Company and the lender continue to operate the credit facility subsequent to the forbearance termination date of November 2, 2000. The forbearance agreement was extended to January 4, 2001, and then to February 7, 2001 changes eligible accounts receivables from 60% to 50% and total line availability from $1,700,000 to $1,000,000. The original loan agreement expired on August 31, 2003. However, the Company is actively seeking to replace the existing credit facility through a different lender. Management believes that it will be successful in making that replacement. However, there can be no assurances that the Company will obtain a new line of credit facility. Management also, believes that the lender under the current line of credit facility will allow the Company to continue making draws until a replacement facility is in place.

7. BUSINESS COMBINATION

On June 16, 1999, the Company exchanged 17,000,000 shares of common stock for all of the common stock of Telco Billing Company ("Telco"). Prior to the merger, the Company had not yet commenced material operations. For financial accounting purposes, the acquisition was accounted for as a reverse merger and was treated as a Recapitalization with Telco as the acquirer. The accompanying financial statements present the historical cost bases of assets and liabilities and results of operations of Telco. Subsequent to the merger, the Company ceased its previous operations and abandoned assets related to those operations. The remaining Company assets are recorded at their historical cost. The Recapitalization of Telco reflects the book value of the net assets of RIGL as of the date of the merger as of June 16, 1999 of $1,722,563.

8. DISCONTINUED OPERATIONS

Effective with the acquisition of Telco on June 16 1999, the Company determined that it would abandon its efforts to develop and market the medical practice billing and administration business. The operations for this segment are reflected as discontinued operations in the accompanying statement of operations. Revenues of this segment were $160,154 for the year ended September 30, 1999. The Company divested asset balances totaling $1,646,000 related to this segment. The disposed components are as follows:

Capitalized software costs	$ 673,000
Goodwill	152,000
Security deposits	62,000
Receivables	436,000
Other	323,000
Total	$1,646,000

9. PROVISION FOR INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, if appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss period. The Company has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

At September 30, 2000 the Company has unused Federal net operating losses of $3,985,962 available under Internal Revenue Code 382 - change in control rules expiring from 2011 through 2014. The Company has no available net operating loss carryforwards under the separate return limitation year and has unavailable net operating loss carryforwards of $3,985,962. The Company may utilize the unavailable net operating loss carryforwards of $3,985,962 upon generating taxable income in that operating entity.

At September 30, 2000 the Company had unused state net operating losses of $1,931,900 available under the change in control rules expiring 2003. The Company has no available net operating loss carryforwards under the separate return limitation year and has unavailable net operating loss carryforwards of $1,931,900. The Company may utilize the unavailable net operating loss carryforwards of $1,931,900 upon generating taxable income in that operating entity.

Prior to the acquisition date of June 16, 1999 RIGL agreed to assume the tax liability of Telco for the taxable income generated prior to June 16,

1999. The provision for income taxes for the year ended September 30, 1999, is computed based on the pretax income generated prior to the acquisition of Telco. The current income tax provision of $260,427, less a net deferred benefit $20,478, related to Telco for the year ended September 30, 1999, has been included in the statement of income.

Income taxes for years ended September 30, is summarized as follows:

	2000	1999
Current Provision (Benefit)	$ 1,527,389	$(1,708,515)
Deferred Benefit (Provision)	(2,172,596)	1,948,634
Net income tax (benefit) provision	$ (645,207)	$ 240,119

The net income tax provision of $240,119 incurred for the year ended September 30, 1999, was allocated to continuing operations. This provision amount relates primarily to taxable income of Telco prior to the acquisition. The loss from discontinued operations generated additional net operating loss carryforwards, which were fully offset by a valuation allowance resulting in no tax effect.

A reconciliation for the differences between the effective and statutory income tax rates for years ended September 30, is as follows:

	2000		1999	
Federal statutory rates	$ 748,942	34%	$(1,402,014)	(34)%
State income taxes	132,166	6%	(329,885)	(8)%
Utilization of valuation allowance	(1,527,389)	(69)%		
Provision due to income generated prior to merger	-		260,597	6%
Valuation allowance for operating loss carryforwards			1,694,534	42%
Other	1,074	-	16,887	-
Effective rate	$ (645,207)	(29)%	$ 240,119	6%

Deferred tax assets totaling $2,242,000 are comprised of $771,000 for differences in book and tax bases of accounts receivable and intangible assets and approximately $1,471,000 relates to net operating loss carryforwards which is offset by a an equal valuation allowance resulting in a net deferred income tax asset of $771,000. The valuation allowance was provided due to the uncertainty of future realization of federal and state net operating loss carryforwards that give rise to approximately $1,471,000 of the deferred tax asset because of restrictions on the utilization of such carryforwards due to the change in control rules under Internal Revenue Code Section 382. The valuation allowance decreased $1,070,000 in the year ended September 30, 2000, due to resolution of uncertainties as to the Company's ability to generate sufficient taxable income to utilize the net operating loss carryforwards that could be utilized.

10. LEASES

The Company leases its office space under long-term operating leases expiring through 2003. Rent expense under these leases was $176,637 and $87,250 for the years ended September 30, 2000 and 2001. However, as part of an agreement with the sub lessee of one of the properties, the Company paid $124,000 in the form of shares of the Company's common stock to that sub lessee. That amount was capitalized and is being amortized over the remaining term of the lease. Rent expense for the year ended September 30, 2000 includes $40,000 for the amortization of that capitalized amount.

The Company consolidated office space from a variety of locations to a single facility in the year ended September 30, 1999. The Company has subleased the former Telco office space.

Future minimum annual lease payments and sublease rentals under operating lease agreements for years ended September 30, 2000:

	Rents	Sublease Rentals
2000	$ 351,095	$ 202,571
2001	407,676	280,212
2002	392,862	265,398
2003	95,598	-
	$ 1,247,231	$ 748,181

11. STOCKHOLDERS' EQUITY

Telco Acquisition

The Company issued 17,000,000 shares of its Common Stock in connection with the Telco acquisition. The transaction was valued at the book value of the net assets of RIGL as of the date of the transaction.

Actions of the Board

Significant blocks of stock have been issued to former officers and consultants for services rendered. It is not possible to determine the effect, if any, of bringing current the required Exchange Act of 1934 ("the 1934 Act") filings and the financial statements and disclosures contained therein, may have on the actions of current or former shareholders of the Company affected by these transactions. The value of those shares was determined based on the trading value of the stock at the dates on which the agreements were made for the services. The expense for that consideration is 90% of the trading value of the shares to factor in a discount for the regulatory restrictions on trading of those shares. During the year ended September 30, 2000, the Company issued 500,000 shares of common stock to consultants valued at $463,950. During the year ended September 30, 1999, the Company issued 1,694,500 shares to former officers and consultants valued at $2,145,178. See Note 12 pertaining to disputed shares issued to consultants.

Also in the year ended September 30, 2000, the Company issued 550,000 shares of its common stock valued at $115,500 to members of the board of directors as consideration and payment for directors' fees.

Effects of Delinquent Filings on Market Activity

The Company is delinquent in its filings under the 1934 Act. Significant trading of the Company stock has occurred by both related and unrelated parties during the period subsequent to its filing. It is not possible to determine the effect, if any, of bringing current the required 1934 Act filings and the financial statements and disclosures contained therein, may have on the actions of current or former shareholders of the Company affected by these revisions.

Effects of Delinquent Filings on Rule 144 and Reg. S Stock Issuances

The Company has been delinquent in its public filings but has attempted to keep the public informed through press releases and 8-K filings while it makes a concerted effort to become current in its filings. The Company is determining the factual issues of this matter and is currently unable to determine the materiality of violations, if any, or their impact on the financial statements of the Company.

Other

During the year ended September 30, 1999, the Company issued 4,500,000 shares of its common stock as collateral on two notes payable. The shares are held in escrow pending repayments of the obligations. Both notes have been restructured, extending the due dates. The shares are non-voting as long as they are held in escrow. These shares are not included in the weighted average shares outstanding for purposes of calculating the Company's basic and diluted net income or loss per common share for the years ended September 30, 2000 and 1999.

During the year ended September 30, 2000, the Company issued 100,000 shares of its common stock to a sub lessee of certain office space for which the Company is the primary lessee. Management agreed to issue these shares as an inducement to the sub lessee and allow the Company to eliminate the monthly obligation under that lease.

Also in the year ended September 30, 2000, the Company agreed to settle all outstanding issues with a former officer by agreeing to convert 200,000 shares of Series B preferred stock held by this individual to 200,000, shares of common stock. The conversion was set at the original conversion rate for the preferred shares. However, under the original terms, the preferred shares were not convertible until the occurrence of certain "trigger events". Those "trigger events" had not occurred but the former officer was allowed to convert as part of the settlement agreement. The conversion was recorded at the estimated value of the common stock on the date of the conversion.

During the year ended September 30, 1999, the Company issued 400,000 shares of its common stock as conversion of the remaining balance of a note payable. The unpaid principal balance of the note converted was $250,000 and accrued interest of $100,000 was also converted.

All of the above transactions were effected by the issuance of restricted common stock. The estimated value was determined to be 90% the closing price of the common stock at the date of the transaction.

The Company granted 1,700,000 shares of Series B preferred stock to certain employees during the year ended September 30, 1999. The Series B preferred

stock has no stated dividend. The preferred shares are convertible to common stock at the option of the holder. The shares are convertible at varying rates depending upon the trading price of the common stock at the time of conversion. The initial conversion rate is one share of common for each share of preferred. Conversion may not occur until certain "trigger events" occur and all rights with respect to the preferred shares terminate on November 30, 2004. "Trigger events" are defined as trading prices of the Company's common stock reaching or exceeding $5 through $10 per share and net income reaching or exceeding $5,000,000. No value was assigned to the preferred shares in the accompanying balance sheet nor was any compensation expense recognized for the year ended September 30, 2000, because the preferred shares were not exercisable at the time of issuances because of the failure of the Company to meet the "trigger events". Subsequently, management has cancelled the Series B preferred stock and rescinded those issuances. However, all shares of the Series B preferred stock were not yet returned at September 30, 2000.

12. COMMITMENTS AND CONTINGENCIES

Telco Billing

The acquisition of Telco by the Company called for the issuance of 17,000,000 new shares of stock in exchange of the existing shares of Telco. As part of that agreement, the Company gave the former shareholders the right to "Put" back to the Company certain shares of stock at a minimum stock price of 80% of the current trading price with a minimum strike price of $1.00. The net effect of which was that the former Telco shareholders could require the Company to repurchase shares of stock of the Company at a minimum cost of $10,000,000. The agreement required the Company to attain certain market share levels.

New management has renegotiated the "Puts", by which the "Puts" were retired and the Company provided a credit facility of up to $5,000,000 to the former Telco shareholders, collateralized by the stock held by the shareholders, with interest at least 0.25 points higher than the Company's average cost of borrowing. Additional covenants warrant that no more that $1,000,000 can be advanced at any point in time and no advances can be made in excess with out allowing at least 30 days operating capital plus reserve or if the company is in an uncured default with any of its lenders.

Billing Service Agreements

The Company has entered into a customer billing service agreement with Integretel, Inc. (IGT). IGT provides billing and collection and related services associated to the telecommunications industry. The agreement term is for two years, automatically renewable in two-year increments unless appropriate notice to terminate is given by either party. The agreement will automatically renew on September 1, 2001, unless either party gives notice of termination 90 days prior to that renewal date. Under the agreement, IGT bills, collects and remits the proceeds to Telco net of reserves for bad debts, billing adjustments, telephone company fees and IGT fees. If either the Company's transaction volume decreases by 25% from the preceding month, less than 75% of the traffic is billable to major telephone companies, IGT may at its own discretion increase the reserves and holdbacks under this agreement. IGT handles all billing information and collection of receivables. The Company's cash receipts on trade accounts receivable are dependent upon estimates pertaining to holdbacks and other factors as determined by IGT. IGT may at its own discretion increase the reserves and holdbacks under this agreement.

The Company has also entered into a customer billing service agreement with Enhanced Services Billing, Inc. (ESBI). ESBI provides billing and collection and related services associated to the telecommunications industry. The agreement term is for two years, automatically renewable in one-year increments unless appropriate notice to terminate is given by either party. The agreement automatically renews on December 3, 2001, unless either party gives notice of termination 91 days prior to that renewal dateUnder the agreement, ESBI bills, collects and remits the proceeds to Telco net of reserves for bad debts, billing adjustments, telephone company fees and ESBI fees. If either the Company's transaction volume decreases by 25% from the preceding month, less than 75% of the traffic is billable to major telephone companies, ESBI may at its own discretion increase the reserves and holdbacks under this agreement.

United States Federal Trade Commission (FTC)

The Company was a subject of an FTC investigation pertaining to claims made of deceptive marketing practices. The Company believes that it has reached a tentative agreement with the FTC requiring the Company to make certain changes to mailing and promotional materials and notify certain customers that a refund of past paid service fees is available. On the basis of the proposed settlement, the Company would be required to notify approximately 11,000 customers. Each of those customers may receive a refund of up to $12.50. Management does not believe that the refunds will be material based on prior experience with such matters and the documentation requirements by customers to receive refunds. The Company may also be required to pay certain expenses incurred in the FTC investigation. The Company intends to

contest payment of these expenses but believes that if such is a requirement of any final settlement with the FTC, the amount could range from $50,000 to $70,000.

Hudson Consulting Group et al

The Company under prior management and directors, in the course of pursuing equity financing, engaged the services of The Hudson Consulting Group, AK Elrod, and Allen Wolfson et al in the State of Utah. The Company later became aware of certain legal issues pertaining to The Hudson Consulting Group and some of its principals. The Company believes the shares were improperly issued for no valid consideration in that the Company claims it received no services as outlined in the agreement. Current management ordered a "stop transfer" on the shares. Upon the transfer agent refusing the transfer, The Hudson Consulting Group and its transferees threatened litigation. The transfer agent filed an interpleader action and tendered the shares to the court to determine ownership. The Company is seeking return of the outstanding 2,000,000 shares of the common stock. The Company has made an offer to settle the disagreement by having the other parties return the approximately 2,000,000 shares and having the Company reissue 500,000 shares. The other parties responded by stating that they would agree to return 500,000 shares. The Company believes that it is likely that this matter will be litigated but believes that the likelihood of a favorable decision is high. The Company recorded an expense of $1,536,000 in the year ended September 30, 1999, for the approximately 1.1 million shares issued to The Hudson Consulting Group. However, because of discoveries made in the year ended September 30, 2000, and management's belief that a substantial number of the 2,000,000 shares will be returned, the Company recorded no consideration for the 890,334 shares issued to the The Hudson Consulting Group in the year ended September 30, 2000. If the dispute is not settled in the Company's favor, the resulting expense would be determined on the basis of the stock price at the time of the settlement. Due to the uncertainty of this matter, and the opinion of Company counsel that the Company will settle for a return of a substantial number of disputed shares, no additional accrual has been made for the 890,334 shares.

13. NET INCOME (LOSS) PER SHARE

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the year. Preferred stock dividends are subtracted from the net income to determine the amount available to common shareholders. There were no preferred stock dividends in the years ended September 30, 2000 or 1999.

Preferred stock convertible to 1,500,000 shares of common stock were not considered in the calculation for diluted earnings per share for the year ended September 30, 2000 because the ability to convert is contingent upon the Company attaining certain stock price and profitability goals. None of which was met at September 30, 2000. Also, warrants to purchase 350,000 shares of common stock were not considered in the calculation for diluted earnings per share for the year ended September 30, 2000 because the exercise price of the warrants is greater than the average common stock price for the period, therefore the effect of their inclusion would be antidilutive. Also excluded from the calculation for the year ended September 30, 2000, were 890,334 shares of common stock that are in dispute (see Note 12).

Preferred stock convertible to 1,700,000 common shares and warrants to purchase 1,355,000 shares of common stock were not considered in the calculation for diluted earnings per share for the year ended September 30, 1999 because the effect of their inclusion would be antidilutive. The following presents the computation of basic and diluted loss per share from continuing operations:

<TABLE>
<CAPTION>

	2000			1999		
	Income	Shares	Per Share	(Loss)	Shares	Per share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income (Loss)	$2,847,977			$(4,363,687)		
Preferred stock dividends				-		
Discontinued operations				1,892,704		
Income Loss from continuing operations	2,847,977			(2,470,983)		
BASIC EARNINGS PER SHARE						
Income Loss available to common stockholders	2,847,977	40,120,829	$ 0.07	$(2,470,983)	22,223,757	$ (0.11)
Effect of dilutive securities				N/A		
DILUTED EARNINGS PER SHARE	$2,847,977	40,120,829	$ 0.07	$(3,191,426)	22,223,757	$ (0.11)

</TABLE>

13. RELATED PARTY TRANSACTIONS

The Company compensated certain members of the Board of Directors for services other than routine duties of the Board. Fees paid to Board members in the year ended September 30, 2000 were $150,000. The Company also granted 550,000 shares of common stock to members of the Board of Directors as directors' fees.

As part of the Company's original default settlement with the prior owners of the URL discussed in Note 4, the Company has provided certain equipment and improvements to an affiliated entity at no cost to that affiliated entity. The Company retains title and control of these assets. However, the assets are not being utilized by the Company. The gross cost of the office equipment and leasehold improvements being utilized by the affiliated entity was approximately $250,000 at September 30, 2000. The Company is also providing office space to this entity for substantially below market rental rates. This entity is affiliated through commonality of certain management members

During the year ended September 30, 1999, the Company borrowed $500,000 from one of its shareholders, whom later became a member of the board of directors effective February 3, 2000. The Company repaid $250,000 of the balance in cash and the board member converted the remaining $250,000 plus $100,000 in accrued interest to 400,000 shares of the Company's common stock. (Also see Note 4).

14. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at banks in Arizona. Accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At September 30, 2000, the Company had bank balances exceeding those insured limits of $110,000.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC billing areas across the United States. The Company historically has experienced significant dilution and customer credits due to billing difficulties and uncollectible trade accounts receivable. The Company estimates and provides an allowance for uncollectible accounts receivable. The handling and processing of cash receipts pertaining to trade accounts receivable is maintained by two third party billing companies. The Company is dependent upon those two billing companies for collection of its accounts receivable.

15. STOCK BASED COMPENSATION

The Company issues stock options to executives, key employees and members of the Board of Directors. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and continues to account for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, no compensation cost has been recognized for the stock options granted to employees. There were no options granted in the year ended September 30, 2000 nor was there any additional vesting of options previously granted. Had compensation cost for the Company's stock options been determined based on the fair value at the grant date for awards in 1999, consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share for the year ended September 30, 1999, would have been increased to the pro forma amounts indicated below:

	1999
Net Loss - as reported	$(4,363,687)
Net Loss - pro forma	$(5,392,675)
Loss per share - as reported	$ (0.20)
Loss per share - pro forma	$ (0.24)

Under the provisions of SFAS No. 123, there were 1,212,000 fully vested options and no proportionately vested options for the year ended September 30, 1999 used to determine net earnings and earnings per share under a pro forma basis.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for years ended September 30, 2000:

Dividend yield	None
Volatility	1.771
Risk free interest rate	6.00%
Expected asset life	2.5 years

Under the Employee Incentive Stock Option Plan approved by the stockholders in 1998, the total number of shares of common stock that may be granted is 1,500,000. The plan provides that shares granted come from the Corporation's authorized but unissued common stock. The price of the

options granted pursuant to this plan shall not be less than 100 percent of the fair market value of the shares on the date of grant. The options expire from five to ten years from date of grant. At September 30, 2000, the Company had granted an aggregate of 1,212,000 options under this plan.

In addition to the Employee Incentive Stock Option Plan, the Company will occasionally grant options to consultants and members of the board of directors under specific stock option agreements. There were no such options granted in the years ended September 30, 2000 and 1999.

During the year ended September 30, 1999, the Company granted 1,212,000 options to certain key employees. These options all were immediately vested. These options were granted at exercise prices of $1.00 to $2.50 the fair market value of the underlying shares on the date of grant. The options expire five years from date of grant. The summary of activity for the Company's stock options is presented below:

<TABLE>
<CAPTION>

	2000		1999	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Options outstanding at beginning of year	1,107,000	$1.34	1,374,474	$ 2.27
Granted	-0-		1,212,000	$ 1.31
Exercised	(53,611)	$1.00	(105,000)	$ 1.00
Terminated/Expired	(1,053,389)		(1,374,474)	$ 2.27
Options outstanding at end of year	-0-		1,107,000	$ 1.34
Options exercisable at end of year	-0-		1,107,000	
Options available for grant at end of year	1,341,389		288,000	
Price per share of options outstanding	N/A		$ 1.00-2.50	
Weighted average remaining contractual lives	N/A		4.3 years	
Weighted Average fair value of options granted during the year	N/A		$ 0.85	

</TABLE>

The Company has issued warrants in connection with certain debt and equity transactions. Warrants outstanding are summarized as follows:

<TABLE>
<CAPTION>

	2000		1999	
		Weighted Average Exercise Price		Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Warrants outstanding at beginning of year	1,355,000	$ 2.00	3,416,920	$ 2.07
Granted	-0-		1,555,250	$ 2.00
Expired	(1,005,00)	$ 2.00	(3,417,170)	$ 2.05
Exercised	-0-		(200,000)	
Outstanding at September 30,	350,000	$ 2.00	1,355,000	$ 2.00

</TABLE>

The 350,000 warrants outstanding at September 30, 2000, expire as follows:

October 22, 2000	250,000
March 23, 2001	100,000

16. EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) profit sharing plan for its employees. Employees are eligible to participate in the plan upon reaching age 21 and completion of three months of service. The Company made no contributions to the plan for the year ended September 30, 2000.

* * * * * *

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

In November, 1999, YP.Net dismissed Singer Lewak Greenbaum & Goldstein, LLP ("Singer Lewak") which had been its principal independent accountant for the audit of its 1998 and 1997 fiscal year financial statements. Except for a "going concern" qualification, Singer Lewak's reports on these financial statements contained no adverse opinion or disclaimer of opinion. Neither of these reports on the financial statements were qualified or modified as to uncertainty, audit scope, or accounting principles. The decision to replace Singer Lewak was recommended and approved by our board of directors. During the two past fiscal years and the subsequent interim periods, YP.Net had no disagreements with Singer Lewak regarding any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

On March 14, 1999, YP.Net reported that it replaced McGladry and Pullen LLP as its principal certified public accountants. McGladry and Pullen LLP had been engaged as the independent auditors, but had not issued any audited reports.

On March 30, 2000, YP.Net appointed King, Weber & Associates, P.C., as its independent auditors to conduct the audit of the September 30, 1999 fiscal year financial statements. On December 31, 2000 King, Weber & Associates, P.C. changed its corporate name to Marshall & Weber, CPA's, PLC.

PART III

In accordance with Instruction E.3 to Form 10-KSB, Items 9, 10, 11 and 12 are incorporated by reference from YP. Net's definitive Proxy Statement to be filed in accordance with Regulation 14A under the Securities Exchange Act.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

3.1 (1) Certificate of Restated Articles of Incorporation of Renaissance International, Inc.

3.2 (7) Amended Articles - To change the name to YP.Net, Inc., and Authorized Capital Increase to 50,000,000 Form 8-K 7/6/98

3.3 (7) Amended Articles - Name Change to YP.Net

3.4 (7) Certificate of Designation - Series B preferred shares

3.5 (1) Bylaws of Renaissance International Group, Ltd.

3.5 (7) Amended Bylaws

10.1 (2) 1998 Stock Option Plan

10.2 (7) Agreement with Worldpages.com

10.3 (7) Agreement with Integretel

10.4 (7) Agreement with Enhanced Services Billing, Inc.

10.5 (7) Lease regarding Mesa Facility

10.6 (7) Sub-Lease to BESI

10.7 (7) Van Sickle Loan Agreement

10.8 (3) First Amendment to Loan Agreement between YP.Net, Inc. and Joseph and Helen VanSickle dated March 31, 2000

10.9 (4) Stock Purchase Agreement between RIGL Corporation, Telco Billing, Inc. and Matthew & Markson, Ltd. dated March 16, 1999

10.10 (4) Amendment to Stock Purchase Agreement between RIGL Corporation, Telco Billing, Inc., Morris & Miller, Ltd.

10.11 (4) Exclusive License Agreement between Matthews & Markson, Ltd. and Telco Billing, Inc. dated September 21, 1998

10.12 (7) Modification to Matthew & Markson Promissory Note.

10.14 (8) International Profits Associates, Inc. Consulting Agreement

10.15 (8) BJM Consulting, Inc. Advisory Agreement

10.16 (8) International Profit Associates Organization for Management

10.17 (8) Sublease Agreement between Y.P.Net, Inc. and Empire Capital Group, LLC

10.18 (9) Loan and Security Agreement dated August 31, 1999 between Fremont Financial Corporation and Telco

10.19 (9) Forbearance Letter Agreement dated August 4, 2000 between Telco

and Finova Capital Corporation as successor by merger to Fremont Financial Corporation

10.20 (9) Forbearance Letter Agreement Dated September 28, 2000 between Telco and Finova Capital Corporation as successor by merger to Fremont Financial Corporation

10.21 (9) Forbearance Letter Agreement dated November 7, 2000 between Telco and Finova Capital Corporation as successor by merger to Fremont Financial Corporation

10.22 Forbearance Letter Agreement dated January 5, 2001 between Telco and Finova Capital Corporation as successor by merger to Fremont Financial Corporation

11 Statement Regarding Computation of Per Share Earnings: incorporated in Item 7 of the Audited Financial Statements for period ending September 30, 1999 and September 30, 2000

16.1 (5) Letter of Singer Lewak Greenbaum & Goldstein LLP dated November 24, 1999

16.2 (6) Letter of McGladrey & Pullen LLP dated March 23, 2000; Letter of McGladrey & Pullen, LLP dated February 4, 2000

21 Subsidiaries of YP.Net, Inc.: Telco Billing, Inc.

1 Incorporated by reference from Form 10-SB as filed May 6, 1998.
2 Incorporated by reference from Form S-8 as filed July 10, 1998.
3 Incorporated by reference from Form 8-K as filed on May 22, 2000.
4 Incorporated by reference from Form 8-K/A as filed on June 30, 1999.
5 Incorporated by reference from Form 8-K as filed on December 3, 1999.
6 Incorporated by reference from Form 8-K as filed on March 29, 2000 and Form 8-K/A as filed on May 22, 2000.
7 Incorporated by reference from Form 10-QSB for the fiscal year ended September 30, 1999.
8 Incorporated by reference from Form 10-QSB for the quarter ended December 31, 2000.
9 Incorporated by reference from Form 10-QSB for the quarter ended June 30, 2000.

REPORTS ON FORM 8-K

One report on Form 8-K was filed in the fiscal quarter ended September 30, 2000. A Form 8-K filed on July 18, 2000 disclosed the FTC litigation and that a receiver for YP.Net had been appointed on June 26, 2000 and subsequently removed as if it had not occurred by order of the court July 13th, 2000.

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YP.NET, INC.

Dated: ________________, 2000 By ___________________________________
Angelo Tullo, Chairman of the Board

BOARD OF DIRECTORS

Dated: ________________, 2000 By ___________________________________
Angelo Tullo

Dated: ________________, 2000 By ___________________________________
Walter Vogel

Dated: ________________, 2000 By ___________________________________
Gregory B. Crane

Dated: ________________, 2000 By ___________________________________
Daniel L. Coury, Sr.

Dated: ________________, 2000 By ___________________________________
Harold A. Roberts

Dated: , 2000 By

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Wallace Olsen

Dated: ________________, 2000   By ----------------------------------
DeVal Johnson

FINOVA
FINANCIAL INNOVATORS

RONALD S. MONTGOMERY
VICE PRESIDENT

FINOVA CAPITAL CORPORATION
CORPORATE FINANCE
BUSINESS CREDIT

355 SOUTH GRAND AVENUE
SUITE 2400
LOS ANGELES, CA 90071

TEL 213 253 1606
FAX 213 625 2468
www.finova.com

January 2, 2001

Mr. Dan Madero
Director Of Operations
TELCO BILLING, INC.
4840 East Jasmine Street, Suite 105
Mesa, Az 85205

Re: Forbearance Letter Agreement re Events of Default under Loan and Security Agreement dated August 31, 1999 (as amended from time to time, the "Loan Agreement"; Capitalized terms used herein shall have the meanings given in the Loan Agreement unless otherwise defined) between Telco Billing, Inc. ("Borrower") and FINOVA Capital Corporation ("FINOVA") as successor by merger to Fremont Financial Corporation

Dear Mr. Madero,

This Amendment to Forbearance Letter Agreement (this "Agreement") is being entered into by and between FINOVA and Borrower with reference to the following:

A On or about August 31, 1999, Borrower and FIND VA entered into a $3,000,000 credit facility (the "Credit Facility"), as evidenced by the Loan Agreement, consisting of a revolving credit line up to a maximum amount of $3,000,000. In connection with the Credit Facility, YP. Net, Inc., formerly known as RIGL Corporation, ("Guarantor") executed a Continuing Guaranty ("Guaranty") dated August 31. 1999, in favor of FINOVA, guarantying all Obligations.

B. The Loan Agreement, the Guaranty and all other Loan Documents are collectively referred to herein as the 'Loan Documents".

C. Certain Events of Default occurred under the Loan Agreement and FINOVA agreed to forbear from exercising its rights and remedies in exchange for certain concessions from Borrower as more fully described in that certain Letter Agreement dated August 4, 2000 between FIND VA and Borrower ("Forbearance Agreement").

D. Pursuant to the Forbearance Agreement, FINOVA agreed to forbear from exercising its rights and remedies, subject to the conditions set forth in the Forbearance Agreement, until October 3, 2000. Such forbearance period was subsequently amended by various letter amendments until January 4, 2001.

E. Borrower has requested FINOVA to further extend the forbearance period for an additional period of time to allow Borrower additional time to obtain financing sufficient to fully repay the Obligations. FINOVA is willing to extend the forbearance period under the terms of this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, FINOVA and Borrower agree as follows:

1. Acknowledgement of Factual Recitals. The parties acknowledge the truth,

accuracy and validity of the foregoing factual recitals and incorporate the same into this Agreement.

2. Acknowledgment of Validity and Enforceability of Loan Documents and Obligations. Borrower acknowledges and agrees that the Loan Agreement and other Loan Documents are valid and enforceable according to their terms. As of January 2, 2001 the total amount of the outstanding principal balance of the Revolving Advances is approximately $1.214.106.42 plus all accrued but unpaid interest, fees and charges.

3. Acknowledgment of Validity of Security interest. Borrower acknowledges the validity of FINOVA's security interest in the Collateral and acknowledges that the Collateral continues to secure all of the Obligations.

4. Acknowledgement of Defaults. Borrower acknowledges that Events of Default exist under the Loan Documents and that, but for this Agreement, FIND VA could exercise all of its rights available thereunder or at law or in equity.

5. No Defenses. Borrower acknowledges that it has no valid offset or defense to the Obligations now or hereafter owing under the Loan Agreement, nor does Borrower have any valid claim against FIND VA and, therefore, admits and confirms that it does not have any legal right or theory on which to invoke or obtain any legal or equitable relief to abate, postpone or terminate FINOVA's enforcement of its rights to repayment of obligations now or hereafter owing under the Loan Agreement and specifically waives and relinquishes any such right to legal or equitable relief to cause any abatement, postponement or termination of any enforcement proceedings commenced by FINOVA.

6. Reaffirmation of Loan Documents. Borrower and, where applicable, Guarantor, each reaffirms and ratifies the terms of the Loan Documents in all respects. Except as specifically provided herein, Borrower acknowledges that nothing in this Agreement shall (a) be construct to limit or restrict FIND VA from exercising its rights and remedies under the Loan Documents with respect to any other defaults thereunder or with respect to any default by Borrower in the performance of its obligations hereunder, or (b) relieve or release Borrower from any of the obligations, covenants or provisions required to be performed or observed under the Loan Documents or hereunder.

7. Forbearance.

(a) Forbearance Period. Provided Borrower performs all terms arid conditions in this Agreement, and no Events of Default other than those referenced in the Default Letters (as defined in the Forbearance Agreement) shall have occurred under the Loan Agreement. FINOVA shall forbear from exercising its rights and remedies under the Loan Documents until February 7, 2001 (the "Forbearance Termination Date"). Upon the earliest to occur of (i) the Forbearance Termination Date, (ii) the occurrence of an Event of Default or (iii) a breach by Borrower of the terms and conditions of this Agreement, all Obligations shall be immediately due and payable and FIND VA may

resort to all rights and remedies available under the Loan Documents, at law and/or in equity.

(b) Forbearance Terms. During the period this Agreement is in effect, the

following terms shall apply:

(i) Section 2. 1A of the Loan Agreement shall he deleted in its entirety and replaced with the following:

A. REVOLVING ADVANCES. Upon request of' Borrower made at any time during the term hereof and so long as no Event of Default exists, FIND VA shall, at its sole discretion, make advances (Revolving Advances) to Borrower in an amount equal to (a) fifty percent (50%) of the aggregate outstanding amount of Eligible Accounts; provided, however, that in no event shall the aggregate amount of the outstanding Revolving Advances be greater than the sum of One Million Dollars ($1,000,000) (the Revolving Advance Limit). FINOVA may reduce its advance rates on Eligible Accounts, reduce the Revolving Advance Limit, or establish reserves with respect to borrowing availability if FINOVA determines, in its sole discretion, that there has occurred, or is likely to occur, an impairment of the prospect of repayment of all or any portion of the Obligations, the value of the Collateral or the validity or priority of FINOVA's security interests in the Collateral.

(ii) No less than one week before the beginning of each month, Borrower shall provide FINOVA with a monthly budget for the next month setting forth in detail, on a week by week basis, all of the expenses to be paid by Borrower during the next month and such other information as FIND VA shall request Revolving Advances will only he made by FINOVA to Borrower to the extent necessary to fund the items on such budgets which are permitted to be paid pursuant to the Loan Agreement and which FINOVA is satisfied are necessary for Borrower to conduct its daily operations.

(iii) Interest on the outstanding Obligations shall continue to accrue at the default rate as provided in Section 2.5A of the Loan Agreement.

8. Conditions Precedent. FINOVA's agreement to enter into this Agreement and grant the forbearance provided herein is expressly conditioned on Borrower executing and delivering this Agreement to FIND VA and causing Guarantor to execute and deliver an acknowledgment and reaffirmation of the Guaranty and the release provided herein, on or before 5:00 p.m. California time on January 5,2001.

9. Default. Failure by Borrower to comply with all terms and conditions of this Agreement shall constitute a default hereunder, following which FINOVA may, without notice to Borrower, resort to all rights and remedies available under the Loan Documents, at law and/or in equity, including without limitation the liquidation of all Collateral. Borrower agrees that, upon such event of default, Borrower shall cooperate with FINOVA in orderly liquidating the Collateral and in the exercise of all of FINOVA's rights as a secured lender.

10. No Further Forbearance Borrower acknowledges FINOVA is not obligated to grant further extensions beyond the Forbearance Termination Date and that no such commitment has been communicated.

11. RELEASE. BORROWER AND GUARANTOR, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, REPRESENTATIVES, EMPLOYEES, PREDECESSORS, SUCCESSORS, AGENTS AND ASSIGNS (COLLECTIVELY, "RELEASING PARTIES") EACH HEREBY RELEASE, REMISE AND FOREVER DISCHARGE FINOVA, AND ITS OFFICERS, DIRECTORS, EMPLOYEES, PREDECESSORS, SUCCESSORS, AGENTS AND ASSIGNS (COLLECTIVELY "RELEASED PARTIES"), FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, CAUSE OR CAUSES OF

ACTION HERETOFORE ARISING OUT OF, OR CONNECTED WITH OR INCIDENTAL TO THE LOAN AGREEMENT OR ANY LOAN DOCUMENTS. THIS GENERAL RELEASE IS INTENDED TO BE A FULL AND COMPLETE RELEASE OF ANY SUCH CLAIMS, DEMANDS, ACTIONS, CAUSE OR CAUSES OF ACTION CONNECTED IN ANY WAY TO THE LOAN AGREEMENT AND WHICH HAVE HERETOFORE ARISEN.

RELEASING PARTIES EACH ACKNOWLEDGE AND AGREE THAT THEY ARE AWARE THAT THEY MAY HEREAFTER DISCOVER CLAIMS PRESENTLY UNKNOWN OR UNSUSPECTED, OR FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH THEY NOW KNOW OR BELIEVE TO BE TRUE. NEVERTHELESS, IT IS THE INTENTION OF THE RELEASING PARTIES, AND EACH OF THEM, THROUGH THIS AGREEMENT, TO FULLY, FINALLY AND FOREVER RELEASE ALL SUCH MATTERS AND CLAIMS RELATIVE THERETO, WHICH DO NOW EXIST, MAY EXIST, OR HERETOFORE HAVE EXISTED. IN THIS REGARD, RELEASING PARTIES SPECIFICALLY WAIVE THE BENEFIT OF THE PROVISIONS OF SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA, WHICH PROVIDES:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE UNILATERALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.",

/s/ DM, DOO	/s/ AK, Chairman
Borrower's Initials	Guarantor's Initials

12. <u>Fee</u>. In consideration of the extension to the forbearance period granted hereby, Borrower shall pay to FINOVA a fee of Ten Thousand Dollars ($10,000), which shall be fully earned and due and payable on the date hereof.

13. <u>Representations and Warranties of Borrower and Guarantor</u>. To induce FINOVA to execute and deliver this Agreement, each of Borrower and Guarantor represent and warrant that:

    (a) The execution, delivery and performance by Borrower and Guarantor, as the case may be, of this Agreement, and all documents and instruments delivered in connection herewith and therewith have been duly authorized; and

    (b) Neither the execution, delivery or performance of this Agreement or any of the documents or instruments delivered in connection herewith or therewith nor the consummation of the transactions contemplated hereby or thereby does or shall contravene, result in a breach of, or violate (i) any provision of Borrower's or Guarantor's corporate charter or bylaws or other governing documents, (ii) any law or regulation or any order or decree of any court or any governmental instrumentality or (iii) any indenture, mortgage, deed of trust, lease agreement or other instrument to which Borrower or Guarantor is a party or by which any of their property is bound.

14. <u>Miscellaneous</u>.

    (a) This Agreement, the Forbearance Agreement and the Loan Documents constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supercedes any prior oral or written agreements concerning the same. Except as expressly amended hereby, and of the terms of the Loan Agreement, the Forbearance Agreement and other Loan Documents remain in full force and effect.

    (b) In the event any Legal action is commenced to enforce or interpret any provision of this Agreement, the prevailing party in such legal action, as determined by a court of competent jurisdiction, shall be entitled to receive from the other party the prevailing party's reasonable attorneys' fees and court costs.

(c) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same document.

(d) The parties have retained, or have had the opportunity to retain, counsel to represent them in the transactions contemplated in this Agreement, have read and understand this Agreement and, therefore, the principle of construction against draftsmen shall have no application in the interpretation of this Agreement.

(e) GOVERNING LAW WAIVERS. THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ENFORCEMENT OF THE OBLIGATIONS, SHALL BE INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE CONFLICT OF LAWS RULES) OF THE STATE OF CALIFORNIA GOVERNING CONTRACTS TO BE. PERFORMED ENTIRELY WITHIN SUCH STATE. BORROWER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT

LOCATED WITHIN THE COUNTY OF LOS ANGELES IN The STATE OF CALIFORNIA OR, AT THE SOLE OPTION OF FINOVA, IN ANY OTHER COURT IN Which FINOVA SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. BORROWER WAIVES ANY OBJECTION OF FORUM NON CONVENES AND VENUE. BORROWER FURTHER WAIVES ANY RIGHT IT MAY OTHERWISE HAVE TO COLLATERALLY ATTACK ANY JUDGMENT ENTERED AGAINST IT.

(f) MUTUAL WAIVER OF RIGHT TO JURY TRIAL. FINOVA AND BORROWER EACH HEREBY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO: (I) THIS AGREEMENT; (II) ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN FINOVA AND BORROWER; OR (III) ANY CONDUCT, ACTS OR OMISSIONS OF FINOVA OR BORROWER OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH FINOVA OR BORROWER; IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

(g) The invalidity, illegality, or unenforceability of any provision in or obligation under this Agreement in any jurisdiction shall not affect or impair the validity, legality, or enforceability of the remaining provisions or obligations under this Agreement or of such provision or obligation in any other jurisdiction.

(h) Each of the Borrower and Guarantor agrees to take all further actions and execute all further documents as FINOVA may from time to time reasonably request to carry out the transactions contemplated by this Agreement.

WHEREFORE, the parties have entered into this Agreement on the date first written above.

TELCO Billing, INC.

By: /s/ Daniel Madero DOO

Name: Daniel Madero

Title:, Director of Operations

FINOVA CAPITAL CORPORATION

By: ______________________________

Name:

Title:

Guarantor's Acknowledgment

The undersigned Guarantor consents and agrees to the terms of this Agreement and reaffirms and restates in all respects the Continuing Guaranty executed in connection with the Loan Agreement and agrees that it remains unconditionally liable for the prompt payment and performance of all of the Liabilities (as defined in such Continuing Guaranty), without defense, claim, counterclaim or setoff of any nature.

YP.NET INC.

By: /s/ Angello Tullo Chairman
____

Name: Angello Tullo
Title: Chairman