

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box: []

[] Preliminary Proxy Statement [] Confidential, for Use
of the Commission
Only (as permitted by
Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

YP.NET, INC.

(Name of the Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(4)
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1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed
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or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Forms, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

YP.NET, INC.

August 30, 2002

Dear Shareholder:

You are cordially invited to the annual meeting of shareholders of YP.Net, Inc.,
which will be held at the Chaparral Suites, 5001 North Scottsdale Road,
Scottsdale, Arizona 85250, on September 20, 2002, at 10:00 a.m. local time. I

look forward to greeting as many of our shareholders present as possible.

Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

It is important that your shares be voted at our meeting. If you do not plan to attend the annual meeting, please complete, sign, date and return the enclosed Proxy promptly in the accompanying reply envelope. If you decide to attend the meeting, you will of course be able to vote in person, even if you have previously submitted your Proxy.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in and support of YP.Net.

Sincerely,

/s/Angelo Tullo

Angelo Tullo
Chairman

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YP.NET, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
SEPTEMBER 20, 2002

To the Shareholders:

The annual meeting of the shareholders of YP.Net, Inc. (the "Company") will be held at the Chaparral Suites, 5001 North Scottsdale Road, Scottsdale, Arizona 85250, on September 20, 2002, at 10:00 a.m. local time for the following purposes:

1. To elect five directors to the Company's Board of Directors.
2. To ratify the YP.Net, Inc. Employees', Officers & Directors' Stock Option Plan and to reserve up to 3,000,000 shares of common stock for issuance thereunder.
3. To ratify the selection of Epstein, Weber & Conover, PLC (formerly Weber & Company, P.C.) as the Company's independent auditor for the fiscal year ended September 30, 2002.
4. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on August 16, 2002, are entitled to notice of, and to vote at, this meeting.

By Order of the Board of Directors,

Angelo Tullo, Chairman

Mesa, Arizona
August 30, 2002

IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, WE URGE YOU TO SIGN, DATE AND RETURN THE ENCLOSED PROXY AT YOUR EARLIEST CONVENIENCE. THIS WILL ENSURE THE PRESENCE OF A QUORUM AT THE MEETING. A PREAMDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. SENDING IN YOUR PROXY WILL NOT PREVENT YOU FROM VOTING YOUR SHARES AT THE MEETING IF YOU DESIRE TO DO SO, AS YOUR PROXY IS REVOCABLE AT YOUR OPTION.

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YP.NET, INC.
4840 EAST JASMINE STREET
SUITE 105
MESA, ARIZONA 85205

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS TO BE
HELD SEPTEMBER 20, 2002

This Proxy Statement, which was first mailed to shareholders after August 30, 2002, and furnished in connection with the solicitation of proxies by the Board of Directors of YP.Net, Inc. (the "Company" or "YP.Net"), a Nevada corporation, to be voted at the Annual Meeting of Shareholders (the "Annual Meeting"), which will be held at 10:00 a.m. local time on September 20, 2002, at the Chaparral Suites, 5001 North Scottsdale Road, Scottsdale, Arizona 85250, for the purposes set forth in this Proxy Statement for this Annual Meeting of Shareholders.

VOTING PROCEDURES

YOUR VOTE IS VERY IMPORTANT. Your shares can only be voted at the Annual Meeting if you are present or represented by proxy. Whether or not you plan to attend the Annual Meeting, we encourage you to vote by proxy to assure that your shares will be represented. You may revoke your proxy at any time before it is voted, by delivering written notice to the Company's Secretary, by submitting a proxy bearing a later date, or by appearing in person and casting a ballot at the Annual Meeting. Properly executed proxies that are received before the Annual Meeting's adjournment will be voted in accordance with the directions provided. If you do not indicate how your shares are to be voted, the Proxy holders nominated by the Board of Directors will vote your shares as recommended by the Board of Directors. If you wish to give a proxy to someone other than the Proxy holders named on the proxy card, you should cross out those names and insert the name(s) of the person(s) to whom you wish to give your proxy.

WHO CAN VOTE? Shareholders as of the close of business on August 16, 2002 are entitled to vote. On that day, approximately 43,810,933 shares of common stock were outstanding and eligible to vote. Each share is entitled to one vote on each matter presented at the Annual Meeting. A list of shareholders eligible to vote will be available at the Company's Corporate Headquarters, beginning on August 16, 2002. Shareholders may examine this list during normal business hours for any purpose relating to the Annual Meeting.

HOW DO I VOTE? You may attend the Annual Meeting and vote in person. Or, as a registered shareholder, you may vote your shares by proxy by mail. To vote by mail, simply mark, sign and date your proxy card and return it in the envelope provided. If you hold your shares through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares.

WHAT SHARES ARE REPRESENTED BY THE PROXY CARD? The proxy card represents all the shares registered in your name.

HOW ARE VOTES COUNTED? The proxies will be tabulated by an Inspector of Elections. If you return a signed and dated proxy card but do not indicate how the shares are to be voted, those shares represented by your proxy card will be voted as recommended by the Board of Directors. A valid proxy also gives the individuals named as proxy's authority to vote in their discretion when voting the shares on any other matters that are properly presented for action at the

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Annual Meeting. A properly executed proxy card marked "abstain" will not be voted. However, it may be counted to determine whether there is a quorum present. Abstentions are not counted in determining the number of shares voted for or against any nominee for Director, the ratification of the appointment of the Company's independent auditor or any other management or shareholder proposal.

Shares represented by "broker non-votes" will be counted for purposes of determining whether a quorum has been reached. Broker non-votes occur when nominees, such as brokers who hold shares on behalf of beneficial owners, do not receive voting instructions from the beneficial owners before the Annual Meeting. The nominees may then vote those shares only on matters such as the

election of Directors, the approval of the employee stock option plan and ratification of the appointment of the Company's independent auditor. If the nominees do not receive instructions on how to vote on non-routine matters, the nominees cannot vote and there is a broker non-vote on those matters.

WHAT VOTE IS REQUIRED? In order to have a quorum, a majority of the shares of YP.Net common stock that are outstanding and entitled to vote at the Annual Meeting must be represented in person or by proxy. If a quorum is not present, a majority of shares that are represented may adjourn or postpone the Annual Meeting.

Generally, proposals must be approved by a majority of the votes cast. Accordingly, broker non-votes and abstentions will have no effect on the outcome of those proposals. However, since Directors are elected by a plurality of the votes cast, votes withheld from nominees for a director could have an effect on the outcome of the election.

Following are descriptions of the four (4) items being submitted to the shareholders for approval. THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS APPROVE EACH ITEM.

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ELECTION OF DIRECTORS

ITEM 1 ON THE PROXY CARD

Five directors are to be elected at the Meeting to serve on the Company's Board of Directors and hold office until the next annual meeting of shareholders or until their successors are elected and qualified. The proxy holders will vote in favor of the nominees listed below, unless the shareholder otherwise directs on the Proxy.

The election of each of the Company's directors requires a plurality of the votes cast in person or by proxy at the Meeting. All nominees have consented to serve as a director for the term indicated.

Management expects that each of the nominees will be available for election, but if any of them is unable or declines to serve at the time the election occurs, it is intended that such Proxy will be voted for the election of another nominee to be designated by the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE NOMINEES LISTED BELOW BE ELECTED TO SERVE AS DIRECTORS OF THE COMPANY UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS OR UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.

NOMINEES

The following information with respect to the principal occupation or employment of each nominee for director, the principal business of the corporation or other organization in which such occupation or employment is carried on, and such nominee's business experience during the past five years, has been furnished to the Company by the respective director nominees:

ANGELO TULLO. Mr. Tullo has served as the Chairman of the Board of YP.Net since February 2000. Mr. Tullo was hired as Chief Executive Officer and President on September 10, 2000. Mr. Tullo is the president of Sunbelt Financial Solutions, Inc., an investment banking and consultant firm in Scottsdale, Arizona. For over twenty years, Mr. Tullo has been active as a business consultant. Mr. Tullo has actively worked with commercial financing and factoring for the past ten years. He has owned and operated factoring companies, leasing companies, consulting companies, wholesale companies, professional employment organizations, insurance agencies, heating and air-conditioning contractors, retail oil companies, real estate companies and restaurants. He is a former member of the CEO Club in New York, and current a member of the Presidential Business Roundtable Committee.

In February 2000, American Business Funding Corp. filed for protection under Chapter 11 of the Bankruptcy Code in the Federal District Court of Arizona. Mr. Tullo had previously been a director, officer and shareholder of American Business Funding prior to the time of its bankruptcy filing.

GREGORY B. CRANE. Mr. Crane has been a director of YP.Net since February,

2000 and also served as its Director of Operations from February 2000 to September 2000. From September 1998 to June 1999, Mr. Crane was the General Manager of Telco Billing, Inc. ("Telco"). Mr. Crane owned and operated several

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businesses, including residential and commercial builders, multi-state mail order, and document-preparation companies, and was also the creator of the Yellow-Page.Net concept. Mr. Crane is a former member of the Young Entrepreneur's Organization ("YEO").

In connection with providing homestead declaration document preparation and filing services, Mr. Crane and certain of these businesses have been subject to injunctive actions brought by the states of Arizona, Florida, Texas and Washington. These actions generally raised legal questions concerning mailer solicitations for document preparation services. Mr. Crane and various of the state plaintiffs have entered into consent orders in connection with these actions that required the modification of mailers and the payment of civil penalties, restitution, and attorneys' fees. The use of the mail solicitation for document preparation services was prohibited in the State of Washington. Mr. Crane voluntarily entered into an agreement with the State of Florida in connection with these matters and due to an error in type size made by the printing company; Mr. Crane technically violated that order. In connection with that violation of the Florida order, Mr. Crane is subject to a judgment in the amount of approximately \$1.4 million, plus accrued interest. Mr. Crane is attempting to resolve the Florida judgment.

Mr. Crane was also named in the action filed by the Federal Trade Commission ("FTC") against us and has been included in the stipulated preliminary order entered into by the FTC and us and approved by the FTC. The Stipulated Final Judgment and Order for Permanent Injunction and Other Equitable Relief by and between the FTC, Mr. Crane, Telco, us and others (the "Order") places certain restrictions on the way mail solicitations will appear. The Order has been approved by the U.S. District Court Judge and the matter is closed with no findings of wrong doing on the part of the company, its officers and directors or Mr. Crane.

DANIEL L. COURY. Mr. Coury has served as a director of YP.Net since February 2000. For the last twelve years, Mr. Coury's principal business has been Mesa Cold Storage, Inc., which owns and operates the largest cold storage facilities in Arizona. He is also involved in the ownership and operation of various real estate interests and business ventures.

DEVAL JOHNSON. Mr. Johnson has served as a director since October 1999. Mr. Johnson was the graphics designer and director of Telco Billing from September 1998 until June 1999 when the Company acquired it. Mr. Johnson was responsible for the design of the in-house sales presentation and creation of the corporate logo and image for YP. Net. From 1995 through 1998, Mr. Johnson was a graphics designer for Print Pro, Inc. Mr. Johnson is actively involved with Website promotion, interactive design and Internet advertising. Mr. Johnson also serves as an officer and board member of Simple.Net a national Internet service provider.

PETER BERGMANN. Mr. Bergmann has served as a director of the Company since May 2002. Since January 1999, Mr. Bergmann has served as the President of Perfect Timing Media, Inc. ("Perfect Timing"), a television development and production company which he founded. Perfect Timing focuses primarily on family fare programming. From 1994 to 1999, Mr. Bergmann was a member of the faculty at Fairleigh Dickinson University where he inaugurated the Electronic Filmmaking and Digital Video Design program which is a distinctive program in video and computer-generated graphics technologies offering students an opportunity to study commerce and art. In 1988, Mr. Bergmann joined Major Arts, Inc., a division of Paramount Communications, Inc., as the head of its television division where he was responsible for developing projects for television

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production. In 1987, Mr. Bergmann served as the President of Odyssey Entertainment, Inc. where he engineered the purchase of Coast Productions, Inc., which subsequently became Odyssey Filmmakers, Inc. where he served as President. From 1984 through 1987, Mr. Bergmann served as President of The Film Company where he had directorial and production responsibilities for theatrical releases and projects for television. During the 14 years prior to 1984, Mr. Bergmann

was employed in various capacities by the American Broadcasting Company. These positions included line producer, division head, assistant to the President, Executive Vice President and Special Assistant to the Chairman of the Board. Mr. Bergmann received his PhD from New York University.

INFORMATION REGARDING BOARD MEETINGS AND COMMITTEES

The Company's Board of Directors has one standing committee, a Compensation Committee. Outside Director Mr Coury currently comprises and serves on the Compensation Committee, which reviews the compensation of the executive and other officers of the Company, reviews executive bonus plan allocations, and approves stock grants and stock options to officers and employees of the Company under the Company's Stock Option Plan. To insure fiscal responsibility, the Board has hired the services of Jerold M. Pierce formerly employed by the Internal Revenue Service to perform compliance and forensic auditing each quarter and to report his findings directly to the full board. Mr. Pierce will also meet with financial management and the independent auditors to review internal accounting controls and accounting, auditing and financial reporting matters.

During the fiscal year ended September 30, 2002, the Board of Directors held 10 meetings; the Compensation Committee held 2 meetings and the Audit Committee held 3 meetings. All Board members who are being nominated attended 75% or more of the Board meetings and all of the meetings of the Audit Committee and the Compensation Committee on which they serve.

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INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL SHAREHOLDERS, DIRECTORS AND MANAGEMENT

The following table sets forth, as of August 30, 2002, the ownership of each person known by the Company to be the beneficial owner of five percent or more of the Company's Common Stock, each officer and director individually, and all officers and directors as a group. The Company has been advised that each person has sole voting and investment power over the shares listed below unless otherwise indicated.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF OWNERSHIP	PERCENT OF CLASS(1)
Angelo Tullo 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	300,000	.74%
Gregory B. Crane 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	75,500	.18%
Daniel L. Coury, Sr. 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	180,000	.44%
Peter Bergmann 4840 E. Jasmine # 105 Mesa, Arizona 85205	50,000	.11%
DeVal Johnson 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	125,000	.31%
Matthew & Markson Ltd. (2) Woods Centre, Frair's Road P.O. Box 1407 St. John's Antigua, West Indies	11,600,000	26.47%

Morris & Miller Ltd. Woods Centre, Frair's Road P.O. Box 1407 St. John's Antigua, West Indies	9,325,000	23.00%
All Directors as a Group (5 persons)	730,500	1.67%

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(1) Based on 43,810,933 shares outstanding as of August 16th, 2002. This amount excludes litigation & collateral shares as well as returned shares held by the treasury. Collateral shares had been issued as collateral for obligations of YP.Net under two promissory notes. Upon payment of the notes, the shares will be returned to YP.Net.

(2) The number of shares held by Matthew & Markson, Ltd. excludes 2,000,000 shares issued as collateral for a note payable issued by YP.Net. See footnote 1 above. These shares will be returned to YP.Net upon payment of the note.

INFORMATION REGARDING MANAGEMENT, EXECUTIVE AND DIRECTOR COMPENSATION
DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of YP.Net, their ages and positions are as follows:

Name	Age	Positions Held(1)
Angelo Tullo	45	Chairman of the Board, Director, Chief Executive Officer and President
DeVal Johnson	36	Director, Secretary
Gregory B. Crane	38	Director
Daniel L. Coury, Sr.	48	Director
Peter Bergmann	53	Director
David Iannini	43	Chief Financial Officer

(1) All current directors serve until the next annual shareholders meeting or their earlier resignation or removal.

OFFICER COMPENSATION

The following table reflects all forms of compensation for the fiscal years ended September 30, 2002, 2001 and 2000 for the Chief Executive Officer and the other most highly compensated executive officers of YP.Net, whose salaries exceed \$100,000 annually, for the years stated.

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation	
		Salary	Other Annual Compensation
Angelo Tullo Chairman, Chief Executive Officer and President	2002	\$240,000	\$ --
	2001	\$210,000	\$ 44,000 (1)
	2000	--	\$ 21,000 (2)
DeVal Johnson Secretary	2002		\$ 138,000

Donald Reese	2002	\$157,000	--
Director of Operations	2001	\$120,000	--
	2000	--	--

- (1) Includes a bonus of 200,000 shares of YP.Net stock valued at \$.22 per share.
- (2) Includes 100,000 shares of YP.Net stock valued at \$.21 per share.
- (3) Includes 75,000 shares of YP.Net stock valued at \$.22 per share.

COMPENSATION PURSUANT TO STOCK OPTIONS

No options were granted to executive officers during the fiscal year ended September 30, 2001, and through the ten-month period ended August 30, 2002

DIRECTOR COMPENSATION

Upon appointment to the Board, Mr. Tullo was awarded 100,000 shares of YP.Net common stock. All other directors were awarded 50,000 shares. The 350,000 shares of common stock paid to the directors as compensation for their services were valued at \$.22 per share for a total value of \$77,000. Additionally, the directors receive \$2,000 per meeting or per quarter for their service on the Board and may receive \$250 per hour for services related to any Board Committee on which they serve. Mr. Bergmann, joined the Board in April 2002 and received his 50,000 shares in July 2002. They were valued at \$.09 per share, or \$4,500.

1998 STOCK OPTION PLAN

YP.Net's Board of Directors adopted, and its shareholders approved in June, 1998, the 1998 Stock Option Plan (the "Plan"). The purpose of the Plan was to provide incentives to employees, directors and service providers to promote the success of YP.Net. The Plan provided for the grant of both qualified and non-qualified options to purchase up to 1,500,000 shares of its common stock at prices determined but, in the case of incentive options, at a price not less than the fair market value of the stock on the date of the grant. The Plan is administered by the Board of Directors or by a committee appointed by the Board. As of August 30, 2002, all outstanding options to purchase YP.Net stock have expired and no options are currently outstanding under the Plan.

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On April 10th, 2002 the Board of directors approved the 2002 Stock Option Plan. No options have been granted under the 2002 plan which is on the ballot for shareholder approval at this meeting.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on review of reports under Section 16(a) of the Securities Exchange Act of 1934, as amended, that were filed by executive officers and directors and beneficial owners of 10% or more of YP.Net's common stock during the fiscal year ended September 2000, to the best of the Company's knowledge, all 16(a) filing requirements have been made through the fiscal year ended September 30, 2001. This information is based on a review of Section 16(a) reports furnished to YP.Net and other information.

TRANSACTION WITH DIRECTORS, OFFICERS AND OTHERS

Acquisition of Telco. In June 1999, YP.Net's predecessor acquired all of _____ the outstanding stock of Telco Billing, Inc. in exchange for 17,000,000 shares of YP.Net.'s common stock. Matthew & Markson, Ltd. and Morrison & Miller, Ltd., as the shareholders of Telco, were issued 7,650,000 and 9,350,000 shares, respectively. As to these shares, the original acquisition agreement provided for certain Put rights that were later terminated. In exchange for cancellation of the Put rights, YP.Net agreed to provide the former Telco shareholders with a \$5,000,000 credit facility. Any loans made to these shareholders under this facility are to be secured by a pledge of YP.Net stock. Interest for borrowings under this facility is to be at least 0.25% higher than YP.Net's average borrowing costs. No advances in excess of \$1,000,000 may be made at any one time and no advances in excess of \$1,000,000 are to be made unless YP.Net has available at least 30 days operating capital plus other reserves. No advances are permitted to be made if YP.Net is in default with respect to any of its

lender obligations. As of June 30, 2002, \$227,296 had been lent to Matthew & Markson, Ltd. pursuant to the foregoing agreement.

Gregory B. Crane and DeVal Johnson were employees of and primarily involved in the start-up of Telco. Mr. Crane continues to serve as one of the Liaisons for Matthew & Markson, Ltd. and Morris & Miller, Ltd. and negotiated the acquisition of Telco by YP.Net's predecessor on behalf of the former Telco shareholders.

License of URL. In connection with the acquisition of Telco, YP.Net's

predecessor also agreed to pay Matthew & Markson, Ltd. \$5,000,000 as a discounted accelerated royalty payment for a 20-year license of the URL Yellow-Page.Net. The accelerated payment was made under the terms of an Exclusive Licensing Agreement dated September 21, 1998, between Telco and Matthew & Markson, Ltd. The payment was originally to be paid in full upon the acquisition of Telco. The Company paid \$3,000,000 as a down payment; however, the Company defaulted on payment of the \$2,000,000 balance on August 15, 1999. To extend the payment obligations, YP.Net agreed to provide, for the benefit of Mathew & Markson, \$250,000 in tenant improvements for approximately one-half of its Mesa facility. The premises were leased to Matthew & Markson's designee for \$1.00 per year throughout the term of the 5-year lease. The annual fair rental value of the lease premises is \$4,500 per month. A one million dollars (\$1,000,000.00) extension fee may also be due. On November 15, 1999, YP.Net paid an extension fee of \$200,000. The \$200,000 extension fee was applied against the \$5,000,000 accelerated royalty payment and an additional \$2,000,000 was paid on the royalty payment in July 1999. Matthew & Markson, Ltd. also agreed to take a \$2,000,000 note for the balance due that remains due and outstanding.

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After we defaulted on the November 1999 extension agreement, on January 15, 2000, the note was renegotiated to a demand note with monthly installments of \$100,000 per month. The payments may be suspended if YP.Net does not have certain cash reserves or is otherwise in default under other obligations. The note is secured by 2,000,000 shares of YP.Net common stock held in escrow, to be returned upon payment of the note.

On September 25, 2001, we agreed in settlement of the Company's breach and noncompliance with the original acquisition agreement and extension agreement with Telco dated June 16, 1999 to pay Matthew Markson, Ltd., \$550,000 and issued 4,000,000 shares of our common stock at \$0.09, and the value is considered based upon the average bid and ask price as of September 25, 2001 and is in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

The \$550,000 will be paid over a thirty-six month term at a 10.5% annual interest rate. Matthew Markson Ltd. has agreed and waived any future payments for the original default of the and extension fee for the acquisition of Telco. Matthew Markson Ltd will continue its security interest in the Company and collateral shares held by Matthew Markson. Ltd. The outstanding balance on this note as of June 30, 2002, was \$119,586.

Simple. Net. ("SN")

The Company has entered into mutual service agreements with Simple. Net ("SN"). Mr. DeVal Johnson, a director of YP.Net, Inc., is the beneficial owner of SN. SN is a national internet service provider that has from time to time sold those services to the Company at below market rate prices.

On May 1, 2002, the Company assigned its Level 3 contract to SN in exchange for a new contract from SN that would provide dial-up services for the Company's customers at a reduced rate of \$2.50 per user, per month. The Company determined that it did not have a sufficient amount of internet service dialup customers to benefit from its Level 3 contract, while SN, as an internet service provider, had a sufficient number of customers to support the base payment structure agreed to in the Level 3 contract. As a result, during this period the Company paid \$19,218 to SN instead of the \$50,000 that would have been paid to Level 3 under the old arrangement. If the Company's internet dial-up customers should increase, the Level 3 contract would be less expensive for us than our agreement with SN. The Level 3 contract is not assignable without the

consent of Level 3, which the Company has not yet obtained. Consequently, the Company is still liable to Level 3 under the terms of the contract. SN has agreed to assume and perform the terms of the Level 3 contract. Since The Company provides billing services to SN it would have the right of offset against SN in the event that SN does not perform under the arrangement with Level 3 that SN has agreed to accept assignment from the Company. The assignment of the Level 3 contract to SN resulted in savings to the Company of approximately \$30,782. In addition, SN has contracts with other National providers such as Broadwing Communications and through the Company's contract with SN. The Company has obtained access numbers under those contracts as well for the benefit of the Company's customers.

By being able to provide Internet access to its customers the Company benefits two ways. First it has an additional product to sell to its customers, which enhances their retention. And second it has allowed the Company to bill customers on their phone bill (LEC Bill) for both services and is especially beneficial to the Company in areas where the Company can not LEC bill for the Company's core product

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SN pays a monthly fee to the Company to provide technical support and provide quality customer service while utilizing the Company's own customer service personnel as well as management and accounting services according to a pricing formula based on a price per customers as follows:

Customer Service & Management Agreement fees are calculated by number of customer records of SN multiplied by a base cost of \$1.02.

Technical Support fees are calculated by number of customer records of SN multiplied by a base cost of 60 cents.

Previously the Company's staff performed the accounting functions for SN since SN utilizes a compatible accounting and billing process. SN paid us \$2,500 a month for these accounting services. As of July 1, 2002, the Company no longer provides accounting services to SN as this arrangement has been canceled.

Commercial Finance Services d/b/a/ HR Management ("CFS")

The Company has entered into an employee leasing arrangement with Commercial Finance Services, Inc. d/b/a HR Management, Inc. ("CFS"). See the Company's Form 10-KSB for the fiscal year ended September 30, 2001. CFS provides factoring and financing as well as the services of a professional employer organization ("PEO") for small to mid-sized companies. CFS does not provide any services to the Company, other than those of a PEO through HR Management, Inc. The Company pays CFS a monthly amount of approximately \$128,000. This amount includes employee wages, payroll taxes, employee benefits and a below market administration fee of 2.5% per month. This arrangement allows the Company to offer additional benefits to its employees by sharing those costs with other clients of CFS. The Company pays CFS fees for payroll and benefit administration of approximately \$2,800 per month, which represents the cost of a payroll clerk

Central Account Services, Inc. is the majority owner of CFS, holding over 85% of the stock. Central Account Services, Inc. is unrelated to the Company. Mr. Joseph McDaniel, who owns 3% of CFS and also serves as counsel for the Company, and Matthew & Markson which has provided funding to CFS in the principal amount of \$1,525,821, are the only related parties. Matthew & Markson is not a part of management or on the Board of Directors of the Company or CFS.

Business Executive Services, Inc.

Business Executive Services, Inc. ("BESI"), as the nominal rent sub-lessee, leases portions of the Company's Mesa facility to other businesses associated with other third parties (provides executive suites).

In addition to providing Executive Suites to a variety of companies, BESI's personnel have expertise in the processing and managing of large direct mail marketing campaigns. Because of this expertise, the Company has decided to outsource its direct mail marketing services to BESI.

Pursuant to an agreement the Company has with BESI, BESI processes all of the direct mail solicitation pieces, welcome letters and other communications with customers and prospective customers.

We pay a base fee of \$10,000.00 per month and then a monthly fee to BESI based on a price of \$.015 cents per mail piece, based on the number of mail pieces prepared and sent, and not less than a floor of \$15,000 per month. The floor amount is reviewed for possible adjustment quarterly.

Mr. Crane, a director of the Company, is employed by BESI and receives a salary of approximately \$2,000 per month from BESI and bonuses in an undetermined amount. BESI has no related party ownership in the Company.

Advertising Management & Consulting Services, Inc.

Advertising Management & Consulting Services, Inc. ("AMCS"), is a marketing and advertising company that rents executive suites from BESI. AMCS' staff is experienced in designing direct marketing pieces, insuring compliance with regulatory authorities for those pieces and designing new products that can be mass marketed through the mail. The Company out sources the design and testing of its many direct mail pieces to AMCS for a fee of \$20,000 per month. AMCS is also responsible for the new products that have been added to our website and is working on new mass-market products to offer our customers. Mr. Crane, a Director of the Company, is also the President of AMCS.

Related Party Transaction Policy.

The Company's general policy requires adherence to Nevada corporate law regarding transactions between YP.Net, a Nevada corporation, and a director, officer or affiliate of the corporation. Transactions in which such persons have a financial interest are not void or voidable if the interest is disclosed and approved by disinterested directors or shareholders or if the transaction is otherwise fair to the corporation. It is the policy of the Company that transactions with related parties are conducted on terms no less favorable to the Company than if they were conducted with unaffiliated third parties. During fiscal year ended September 30, 2001, through August 30, 2002, there have been no related party transactions except as shown above.

EMPLOYEES', OFFICERS & DIRECTORS' STOCK OPTION PLAN:

ITEM 2 ON THE PROXY CARD

At the Annual Meeting, the Company's stockholders are being asked to approve the 2002 Employees', Officers and Directors' Stock Option Plan (the "2002 Option Plan") and to authorize 3,000,000 shares of Common Stock for issuance thereunder. The following is a summary of principal features of the 2002 Option Plan. The summary, however, does not purport to be a complete description of all the provisions of the 2002 Option Plan. Attached as Exhibit A and incorporated herein by reference is the text of the 2002 Option Plan.

Ratification of the 2002 Employees', Officers and Directors' Stock Option Plan requires an affirmative vote of the majority of the shares entitled to vote at the meeting, in person or by proxy. It is intended that the accompanying Proxy will be voted in favor of the ratification of the 2002 Employees', Officer and Directors' Stock Option Plan.

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE 2002 EMPLOYEES', OFFICERS & DIRECTORS' STOCK OPTION PLAN.

General

The 2002 Option Plan was adopted by the Board of Directors on April 10th, 2002, and provided for the issuance of up to 3,000,000 options. The Board of Directors has reserved 3,000,000 shares of Common Stock for issuance under the 2002 Option Plan.

Over the period from April 10th 2002, to the date of this Proxy, the Company has granted no options to purchase shares of Common Stock under the 2002 Option Plan, including options to purchase a total of zero shares of Common Stock issued to officers and directors of the Company. The following table sets forth the number of options granted to the Company's officers and directors under the 2002 Option Plan:

Under the Plan, options may be granted which are intended to qualify as Incentive Stock Options ("ISOs") under Section 422 of the Internal Revenue Code of 1986 (the "Code") or which are not ("Non-ISOs") intended to qualify as Incentive Stock Options thereunder. The 2002 Option Plan and the right of participants to make purchases thereunder are intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The 2002 Option Plan is not a qualified deferred compensation plan under Section 401(a) of the Internal Revenue Code and is not subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

PURPOSE

The primary purpose of the 2002 Option Plan is to attract and retain the best available personnel for the Company in order to promote the success of the Company's business and to facilitate the ownership of the Company's stock by employees. The ability of a company to offer a generous stock option program has now become a standard feature in the industry in which the company operates. In the event that the 2002 Option Plan is not adopted the Company may have considerable difficulty in attracting and retaining qualified personnel, officers, directors and consultants.

ADMINISTRATION

The 2002 Option Plan, is administered by the Company's Board of Directors, as the Board of Directors may be composed from time to time. All questions of interpretation of the 2002 Option Plan are determined by the Board, and its decisions are final and binding upon all participants. Any determination by a majority of the members of the Board of Directors at any meeting, or by written consent in lieu of a meeting, shall be deemed to have been made by the whole Board of Directors.

Notwithstanding the foregoing, the Board of Directors may at any time, or from time to time, appoint a committee (the "Committee") of at least two members of the Board of Directors, and delegate to the Committee the authority of the Board of Directors to administer the Plan. Upon such appointment and

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delegation, the Committee shall have all the powers, privileges and duties of the Board of Directors, and shall be substituted for the Board of Directors, in the administration of the Plan, subject to certain limitations.

Members of the Board of Directors who are eligible employees are permitted to participate in the 2002 Option Plan, provided that any such eligible member may not vote on any matter affecting the administration of the 2002 Option Plan or the grant of any option pursuant to it, or serve on a committee appointed to administer the 2002 Option Plan. In the event that any member of the Board of Directors is at any time not a "disinterested person", as defined in Rule 16b-3(c)(3)(i) promulgated pursuant to the Securities Exchange Act of 1934, the Plan shall not be administered by the Board of Directors, and may only be administered by a Committee, all the members of which are disinterested persons, as so defined.

ELIGIBILITY

Under the 2002 Option Plan, options may be granted to key employees, officers, directors or consultants of the Company, as provided in the 2002 Option Plan.

TERMS OF OPTIONS

The term of each Option granted under the Plan shall be contained in a stock option agreement between the Optionee and the Company and such terms shall be determined by the Board of Directors consistent with the provisions of the

Plan, including the following:

- (a) PURCHASE PRICE. The purchase price of the Common Shares subject to each ISO shall not be less than the fair market value, or in the case of the grant of an ISO to a Principal Stockholder, not less than 110% of fair market value of such Common Shares at the time such Option is granted. The purchase price of the Common Shares subject to each Non-ISO shall be determined at the time such Option is granted, but in no case less than 85% of the fair market value of such Common Shares at the time such Option is granted.
- (b) VESTING. The dates on which each Option (or portion thereof) shall be exercisable and the conditions precedent to such exercise, if any, shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted.
- (c) EXPIRATION. The expiration of each Option shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted; however, unless otherwise determined by the Board of Directors at the time such Option is granted, an Option shall be exercisable for ten (10) years after the date on which it was granted (the "Grant Date"). Each Option shall be subject to earlier termination as expressly provided in the 2002 Option Plan or as determined by the Board of Directors, in its discretion, at the time such Option is granted.
- (d) TRANSFERABILITY. No Option shall be transferable, except by will or the laws of descent and distribution, and any Option may be exercised during the lifetime of the Optionee only by him. No Option granted under the Plan shall be subject to execution, attachment or other process.
- (e) OPTION ADJUSTMENTS. The aggregate number and class of shares as to which Options may be granted under the Plan, the number and class shares covered by each outstanding Option and the exercise price per share thereof (but not the total price), and all such Options, shall each be proportionately adjusted for any increase or decrease in the number of issued Common Shares resulting from split-up, spin-off or consolidation of shares or any like Capital adjustment or the payment of any stock dividend.

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Except as otherwise provided in the 2002 Option Plan, any Option granted hereunder shall terminate in the event of a merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation of the Company. However, the Optionee shall have the right immediately prior to any such transaction to exercise his Option in whole or in part notwithstanding any otherwise applicable vesting requirements.

- (f) TERMINATION, MODIFICATION AND AMENDMENT. The 2002 Option Plan (but not Options previously granted under the Plan) shall terminate ten (10) years from the earlier of the date of its adoption by the Board of Directors or the date on which the Plan is approved by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, and no Option shall be granted after termination of the Plan. Subject to certain restrictions, the Plan may at any time be terminated and from time to time be modified or amended by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company present, or represented, and entitled to vote at a meeting duly held in accordance with the applicable laws of the State of Nevada.

FEDERAL INCOME TAX ASPECTS OF THE 2002 OPTION PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE EFFECT OF FEDERAL INCOME TAXATION UPON THE PARTICIPANTS AND THE COMPANY WITH RESPECT TO THE PURCHASE OF SHARES UNDER THE 2002 OPTION PLAN. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE AND DOES NOT ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES TO TAXPAYERS WITH SPECIAL TAX STATUS. IN ADDITION, THIS SUMMARY DOES NOT DISCUSS THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE, AND DOES NOT DISCUSS ESTATE, GIFT OR OTHER TAX

CONSEQUENCES OTHER THAN INCOME TAX CONSEQUENCES. THE COMPANY ADVISES EACH PARTICIPANT TO CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PARTICIPATION IN THE 2002 OPTION PLAN AND FOR REFERENCE TO APPLICABLE PROVISIONS OF THE CODE.

The 2002 Option Plan and the right of participants to make purchases thereunder are intended to qualify under the provisions of Sections 421, 422 and 423 of the Code. Under these provisions, no income will be recognized by a participant prior to disposition of shares acquired under the 2002 Option Plan.

If the shares are sold or otherwise disposed of (including by way of gift) more than two years after the first day of the offering period during which shares were purchased (the "Offering Date"), a participant will recognize as ordinary income at the time of such disposition the lesser of (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price of the shares or (b) 15% of the fair market value of the shares on the first day of the offering period. Any further gain or loss upon such disposition will be treated as long-term capital gain or loss. If the shares are sold for a sale price less than the purchase price, there is no ordinary income and the participant has a capital loss for the difference.

If the shares are sold or otherwise disposed of (including by way of gift) before the expiration of the two-year holding period described above, the excess of the fair market value of the shares on the purchase date over the purchase price will be treated as ordinary income to the participant. This excess will

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constitute ordinary income in the year of sale or other disposition even if no gain is realized on the sale or a gift of the shares is made. The balance of any gain or loss will be treated as capital gain or loss and will be treated as long-term capital gain or loss if the shares have been held more than one year.

In the case of a participant who is subject to Section 16(b) of the Exchange Act, the purchase date for purposes of calculating such participant's compensation income and beginning of the capital gain holding period may be deferred for up to six months under certain circumstances. Such individuals should consult with their personal tax advisors prior to buying or selling shares under the 2002 Option Plan.

The ordinary income reported under the rules described above, added to the actual purchase price of the shares, determines the tax basis of the shares for the purpose of determining capital gain or loss on a sale or exchange of the shares.

The Company is entitled to a deduction for amounts taxed as ordinary income to a participant only to the extent that ordinary income must be reported upon disposition of shares by the participant before the expiration of the two-year holding period described above.

RESTRICTIONS ON RESALE

Certain officers and directors of the Company may be deemed to be "affiliates" of the Company as that term is defined under the Securities Act. The Common Stock acquired under the 2002 Option Plan by an affiliate may be reoffered or resold only pursuant to an effective registration statement or pursuant to Rule 144 under the Securities Act or another exemption from the registration requirements of the Securities Act.

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE EMPLOYEES', OFFICERS & DIRECTORS' STOCK OPTION PLAN.

INDEPENDENT AUDITORS

ITEM 3 ON THE PROXY CARD

INDEPENDENT AUDITORS

For the fiscal year ended September 30, 2002, the Company engaged Epstein, Weber & Conover, PLC ("Weber") formerly Weber & Company, P.C. of Phoenix, Arizona, to audit its financial statements. The Board of Directors proposes to

retain Weber as the independent public auditor for the current fiscal year. Representatives of Weber will be present at the Annual Meeting of Shareholders, will have an opportunity to make a statement and will be available to respond to appropriate questions.

During the fiscal year ended September 30, 2002, Weber billed an aggregate of \$24,375 for professional services rendered to the Company. Substantially all of this amount related to the audit of our fiscal year 2001 financial statements and review of the quarterly financial statements included in our Forms 10-QSB for that fiscal year. Weber did not provide any related services and have only provided audit services to the Company.

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Ratification of the retention of YP.Net's independent public auditor requires an affirmative vote of a majority of the shares entitled to vote at the Meeting, in person or by proxy. It is intended that the accompanying Proxy will be voted in favor of ratification of the retention of Weber, unless the shareholders' Proxy indicates to the contrary.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE TO RATIFY THE RETENTION OF EPSTEIN, WEBER & CONOVER, PLC AS THE COMPANY'S INDEPENDENT PUBLIC AUDITOR.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In November, 1999, the Company replaced Singer Lewak Greenbaum & Goldstein, LLP ("Singer Lewak") as the Company's independent public accountants. Singer Lewak had been the Company's 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 the Company's financial statements contained no adverse opinion or disclaimer of opinion. Neither of the Company's reports on the Company's 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, as Singer Lewak maintains no presence in Arizona, and use of the firm was impracticable for the Company. During the two past fiscal years and the subsequent interim periods, the Company 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, the Company 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 to replace Singer Lewak, but had not issued any audited reports.

On March 30, 2000, the Company 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 Weber & Company, PC. In late 2001 Weber and Company, P.C. changed its name to Epstein, Weber and Conover, P.C.

OTHER MATTERS

ITEM 4 ON THE PROXY CARD

The Board of Directors does not intend to bring any other business before the Meeting and, as far as is known to the Board, no matters are to be brought before the Meeting except as specified in the accompanying Notice of Annual Meeting of Shareholders. In addition to the scheduled items of business, the Meeting may consider other matters that properly come before the Meeting. As to any other business that may properly come before the Meeting, it is intended that Proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the person(s) voting such Proxies.

SHAREHOLDER PROPOSALS

Shareholders may submit proposals to be considered for shareholder action at the Company's 2003 annual meeting of shareholders and inclusion in the

Company's Proxy Statement and Proxy if they do so in accordance with the appropriate regulations of the Securities and Exchange Commission. For such proposals to be considered for inclusion in the Proxy Statement for the next annual meeting, the Company must receive proposals no later than June 1, 2003. Such proposals should be directed to YP.Net, Inc., 4840 East Jasmine Street, Suite 105, Mesa, Arizona 85205, Attention: Chairman. The Company received no shareholder proposals for this year's Meeting.

SOLICITATION OF PROXIES

The Proxy accompanying this Proxy Statement is solicited by the Board of Directors of the Company. Officers, directors and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services, may solicit proxies. Such solicitations may be made personally or by mail, facsimile, telephone, telegraph, messenger or via the Internet. The Company will pay all costs of solicitation of proxies.

VOTING PROCEDURES

Votes cast by proxy or in person at the Meeting will be tabulated by an Inspector of Elections. A shareholder that abstains from voting on any or all proposals will be included in the number of shareholders present at the Meeting for purposes of determining the presence of a quorum. Abstentions and broker non-votes will not be counted either in favor of or against the election of the nominees or other proposals. See "Voting Procedures," above.

A copy of the Company's Annual Report on Form 10-KSB for the fiscal year ended September, 2001, which has been filed with the Securities and Exchange Commission on December 31, 2001 can be obtained at no charge by any person to whom this Proxy Statement is delivered upon request to the Company. You also may obtain a copy of the Form 10-KSB and the Company's other SEC filings via the Internet at www.sec.gov.

Dated: August 30, 2002
Mesa, Arizona

By Order of the Board of Directors,

/s/Angelo Tullo
Angelo Tullo, Chairman

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YP.NET, INC.
4840 EAST JASMINE STREET
SUITE 105
MESA, AZ 85205

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF YP.NET'S BOARD OF DIRECTORS. THE FOLLOWING PROSALS ARE PROPOSED BY THE BOARD OF DIRECTORS.

The undersigned shareholder of YP.Net, Inc., a Nevada corporation (the "Company"), hereby appoints Angelo Tullo and Daniel L. Coury, Sr., or either of them, as proxies, each with the power to appoint his substitute, to represent and to vote all the shares of common stock of the Company, which the undersigned would be entitled to vote, at the Annual Meeting of Shareholders of the Company, to be held on September 20, 2002, at 10:00 a.m. local time (the "Meeting"), at the Chaparral Suites, 5001 North Scottsdale Road, Scottsdale, Arizona 85250 and at any adjournment thereof, and there to vote any and all shares of common stock of the Company standing in the name of the undersigned as indicated below.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE FOLLOWING PROPOSALS AND DIRECTORS. THIS PROXY WILL BE VOTED AS DIRECTED, PROVIDED, HOWEVER, THAT IF YOU SIGN AND RETURN THIS PROXY WITHOUT INDICATING YOUR DIRECTIONS, IT WILL BE VOTED IN THE DISCRETION OF THE PROXYHOLDER(S).

PROPOSALS

1. Regarding the reelection of the following individuals as Directors of the Company, to serve for the term referenced next to their name or until the next annual meeting of shareholders if no term is indicated and until their successors are elected and qualified:

Angelo Tullo, Gregory B. Crane, Daniel L. Coury, Peter Bergmann, DeVal Johnson

For All Nominees Withhold

(Instructions to withhold authority to vote for an individual nominee strike the nominee's name in the above list)

For all nominees listed above (check box to approve).

2. The ratification of the 2002 Employees', Officers and Directors Stock Option Plan and the reservation of up to 3,000,000 shares of common stock for issuance thereunder.

For Against Abstain

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3. The ratification of the retention of Epstein, Weber & Conover, PLC, as the Company's independent public auditor for the fiscal year ended September 30, 2002.

For Against Abstain

4. In accordance with their best judgment, the Proxy Holder(s) may vote upon such business as may properly come before such meeting or adjournments thereof.

For Withhold Authority

The undersigned hereby ratifies and confirms all that each named proxy or his, her or their substitutes may lawfully do or cause to be done by virtue hereof, represents and warrants that he has full power to execute this proxy, and agrees that this proxy shall be specifically enforceable in any court of competent jurisdiction. If any provision of this proxy is unenforceable, it shall be severed and the remaining provisions shall be effective.

Please sign exactly as your name appears on your stock certificates. If shares are held by more than one owner, each owner must sign. Executors, administrators, trustees, guardians and others signing in a representative capacity should give their full titles. A corporation should sign in its name by an officer or any other person duly authorized to do so.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, WE URGE YOU TO SIGN, DATE AND RETURN THE ENCLOSED PROXY AT YOUR EARLIEST CONVENIENCE. THIS WILL ENSURE THE PRESENCE OF A QUORUM AT THE MEETING. A PREADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. SENDING IN YOUR PROXY WILL NOT PREVENT YOU FROM VOTING YOUR SHARES AT THE MEETING IF YOU DESIRE TO DO SO, AS YOUR PROXY IS REVOCABLE AT YOUR OPTION.

Authorized Signature

Title (if applicable)

Date

YPNET, INC.
EMPLOYEES', OFFICERS & DIRECTORS' STOCK OPTION PLAN
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YP.NET, INC.

EMPLOYEES', OFFICERS' & DIRECTORS' STOCK OPTION PLAN

APRIL 10, 2002

1. Purpose. The purpose of this YP.Net, Inc. (the "Company") Employees', Officers' and Directors' Stock Option Agreement (the "Plan") is to strengthen YP.Net and to further the growth and development of the Company by providing additional means of attracting and retaining competent managerial personnel, exclusively as an incentive, to directors, officers, and employees of the Company who are in a position to contribute materially to the prosperity of the Company, to participate in the long-term growth of the Company by receiving the opportunity to acquire shares of the Common Stock of the Company, and to provide for additional compensation based on appreciation in the Company's shares. The Plan provides a means to increase such persons' interests in the Company's welfare, to encourage them to continue their services to the Company or its subsidiaries, and to attract individuals of outstanding ability to enter the employment of the Company or its subsidiaries.

2. Definitions. The following definitions are applicable to the Plan:

2.1 Accrued Installment. Any exercisable portion of a Stock Option granted under the Plan.

2.2 Affiliate. Any subsidiary corporation of the Company, as such term is defined in Sections 424(e) and (f), respectively, of the Code.

2.3 Board. The Board of Directors of the Company.

2.4 Code. The Internal Revenue Code of 1986, as amended from time to time.

2.5 Company. YP.Net, a Nevada corporation.

2.6 Common Stock. The shares of the \$.001 par value common stock of YP.Net.

2.7 Compensation Committee. A Committee selected by the Board that shall administer the Plan pursuant to the terms hereof.

2.8 Disabled or Disability. A Participant shall be deemed to be Disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than thirty (30) consecutive days. The determination of whether an individual is Disabled or has a Disability shall be determined under procedures established by the Plan Administrators.

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2.9 Eligible Recipient. Shall have the meaning assigned to it in Section 7 hereof.

2.10 Fair Market Value. For purposes of the Plan, the Fair Market Value of any share of Common Stock of the Company at any date shall be determined based on the following: (a) if the Common Stock is listed on an established stock exchange or exchanges or reported by NASDAQ, the last reported sale price per share on the last trading day immediately preceding such date on the principal exchange on which it is traded, or if no sale was made on such day on such principal exchange, at the closing reported bid price on such day on such exchange, or (b) if the Common Stock is not then listed on an

exchange, the last reported sale price per share on the last trading day immediately preceding such date reported by NASDAQ, or if sales are not reported by NASDAQ or no sale was made on such date, the average of the closing bid and asked price per share for the Common Stock in the over-the-counter market as quoted by NASDAQ on the day prior to such date, or (c) if the Common Stock is not publicly traded at the time and a Stock Option or Restricted Stock Option is granted under the Plan, Fair Market Value shall be deemed to be the fair value of the Common Stock as determined by the Plan Administrators after taking into consideration all factors that it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's-length.

- 2.11 Family Member. For purposes of the Plan, Family Member means a Participant's spouse, stepchildren, in-laws, ancestors and lineal ascendants and descendants. In addition, a Family Member shall be deemed to include a corporation, partnership, limited liability company, or trust whose only stockholders, partners, members or beneficiaries are the specified person and/or the specified person's spouse, stepchildren, in-laws, ancestors and lineal ascendants and/or descendants.
- 2.12 Incentive Stock Option. 'Any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.
- 2.13 Nonqualified Stock Option. Any Stock Option that is not an Incentive Stock Option.
- 2.14 Optionee. The recipient of a Stock Option.
- 2.15 Option Price. The exercise or purchase price for any Stock Option awarded under the Plan.
- 2.16 Participant. Any Eligible Recipient selected by the Plan Administrators, pursuant to the Plan Administrator's authority in Section 7 herein, or by the Board, to receive grants of Stock Options, Restricted Stock awards or any combination of the foregoing.
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- 2.17 Plan. The YP.Net, Inc. Employees' Stock Option Plan, as amended from time to time.
- 2.18 Plan Administrators. The Company's Compensation Committee, as designated pursuant to Section 6 hereof, who is authorized to administer, construe and interpret the terms of the Plan.
- 2.19 Restricted Stock. Any option granted pursuant to Section 10 hereof of shares of Common Stock subject to certain restrictions.
- 2.20 Stock Option. Any option to purchase shares of Common Stock pursuant to Section
3. Stock Options Under the Plan. Two types of Stock Options (referred to herein as Stock Options', without distinction between such two types) may be granted under the Plan: Provided, Stock Options intended to qualify shall be either Incentive Stock Options or Nonqualified Stock Options.
4. Effective Date of Plan. The Plan shall be adopted and become effective on the date of execution specified below (the "Effective Date").
5. Term of Plan. Unless sooner terminated by the Board in its sole discretion, the Plan will expire and no Stock Options or Restricted Stock awards may be granted hereunder on and after ten (10) years from the Effective Date (the Plan Termination Date").
6. Administration. 1. The Plan shall be administered by a majority of the Compensation Committee, who shall be known as the "Plan Administrators." The Actions of the Plan Administrators shall be subject to and under review by the Company's Board of Directors. The Compensation Committee shall consist of not fewer than two (2) members of the Board, all of whom shall be persons who, in the opinion of counsel to the Company, are outside directors and "non-employee directors" within the meaning of Rule 16b-3(b) (3) (i) promulgated pursuant to the Securities Exchange Act of 1934,

as amended. from time to time. The Board may increase or decrease (to not less than two members) the size of the Compensation Committee, and add additional members to, or remove members from, the Compensation Committee. The Compensation Committee shall act pursuant to a majority vote or the unanimous written consent of its members and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board upon request of the Board. Subject to the provisions of the Plan as of the date, hereof as adopted by the Board, the Compensation Committee may establish and follow such rules and regulations for the conduct of its business as it may deem advisable.

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No member of the Compensation Committee shall be liable for any action or determination undertaken or made in good faith with respect to the Plan or any agreement executed pursuant to the Plan. Subject to the provisions of the Plan, the Plan Administrators shall have the sole authority and discretion:

(a) to select those Eligible Recipients who shall be Participants, who may be nominated by the President, Chairman, or Chief Financial Officer.

(b) to determine under what terms and whether and to what extent Stock Options, whether of Restricted or Registered Stock, or a combination of the foregoing, are to be granted hereunder to Participants;

(c) to determine the number of shares of Common Stock to be covered by each such option granted hereunder;

(d) in determining the number of shares of Common Stock to be optioned pursuant to the granting of Stock Options, in addition to the formulaic grants described hereinafter in Section 6.1(c), the Plan Administrators shall take into account as to any Eligible Recipient whose performance merits it, those factors including, without limitation, the Eligible Recipient's tenure with the Company, responsibility level, performance, potential and cash compensation level.

(e) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any option granted hereunder (including, but not limited to the restrictions applicable to Restricted Stock awards and the conditions under which restrictions applicable to such Restricted Stock shall lapse);

(f) to determine the terms and conditions, not inconsistent with the terms of the Plan, that shall govern all written instruments evidencing the Stock Options, Restricted Stock or any combination of the foregoing granted hereunder to Participants; and

(g) to reduce the exercise price of any Stock Option to the then current Fair Market Value, but to not less than \$1.00, if the Fair Market Value of the Common Stock covered by such Stock Option has declined since the date such Stock Option was granted.

2. The Plan Administrators shall have the authority, in their sole discretion, to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as they shall from time to time deem advisable; to interpret the terms and provisions of the Plan and any option issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan.

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3. All decisions made by the Plan Administrators pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company and the Participants.
7. Eligibility. Any of the following individuals shall be eligible to receive Stock Options of Restricted or Registered Stock under the Plan (each, an "Eligible Recipient"): (i) any employee, officer or member of the Board of Directors of the Company or an Affiliate and (ii) any consultant or professional employed by the Company or an Affiliate; provided, however, that no person who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations shall be eligible to receive an Incentive

Stock Option under the Plan unless at the time such Stock Option is granted the Option Price (determined in the manner provided in Section 9.2 hereof) is at least 110% of the Fair Market Value of the shares subject to the Stock Option and such Stock Option by its terms is not exercisable after the expiration of live (5) years from the date such Stock Option is granted. Any Participant may receive more than one Stock Option or Restricted Stock Option under the Plan.

8. Shares Subject to the Plan.

8.1 Available Shares. The shares received and available for issuance under the Plan shall be shares of the Company's authorized but unissued, or reacquired, Common Stock. Subject to adjustment as provided in Section 8.2 hereof, the aggregate number of shares that may be issued under the Plan shall not exceed a total of Three Million (3,000,000) shares of the Company's Common Stock. In the event that (i) the grant of any Stock Option under the Plan for any reason expires, is terminated or surrendered without being exercised in full or is exercised or surrendered without the distribution of shares or (ii) any shares of Common Stock subject to any Restricted Stock Option granted hereunder are forfeited, such shares of Common Stock allocable to the unexercised portion of the Stock Option or the Restricted Stock award shall again be available for issuance in connection with future awards under the Plan. If any shares of Common Stock have been pledged as collateral for indebtedness incurred by a Participant in connection with the exercise of a Stock Option and such shares are returned to the Company in satisfaction of such indebtedness, such shares shall again be available for issuance in connection with future options under the Plan. In the event any portion of a Stock Option is exercised pursuant to a "stock-for-stock exercise" as provided in Subsection 9.3(h), the shares of Common Stock surrendered thereby shall again be available for grant and distribution under the Plan as if no Stock Option had been granted with respect to such shares. The maximum number of shares of Common Stock that shall be issuable upon the exercise of any and all Options granted to any one individual pursuant to this Plan shall not exceed 30% of the total number of shares eligible to be issued.

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8.2 Capital Structure Adjustments. Except as otherwise provided herein, in the event of a stock dividend (but only on Common Stock), stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, separation, or like change in the corporate or capital structure of the Company affecting the stock or securities of the Company, appropriate and proportionate capital structure adjustments shall be made in (i) the aggregate number of shares of Common Stock reserved for issuance under the Plan, (ii) the kind, number and Option Price of shares subject to outstanding Stock Options granted under the Plan, and (iii) the kind, number and purchase price of shares issuable pursuant to awards of Restricted Stock. The foregoing adjustments shall be made by the Plan Administrators, in their sole discretion, the determination of which in that respect shall be final, binding, and conclusive; provided that each Incentive Stock Option granted pursuant to the Plan shall not be adjusted in a manner that causes it to fail to continue to qualify as an Incentive Stock Option. In the event of a liquidation, a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly-owned subsidiary of another corporation, any unexercised Stock Option rights theretofore granted under the Plan shall be (i) assumed by any surviving corporation or similar stock options shall be substituted therefore, or (ii) such Stock Options shall continue in full force and effect.

9. Terms and Conditions of Stock Options. Stock Options granted under the Plan shall be evidenced by agreements (which need not be identical and which may include the agreement of the Optionee to be responsible for the Optionee's assumption and payment of any tax assessment and/or liability) in such form and containing such provisions that are consistent with the Plan as the Plan Administrators shall from time to time approve. Such agreements may incorporate all or any of the terms hereof by reference and shall comply with and be subject to the following terms and conditions:

9.1 Number of Shares Subject to Stock Option. Each Stock Option agreement shall specify the number of shares subject to the Stock Option.

9.2 Stock Option Price. The Option Price for the shares subject to any Stock Option shall be such amount as is determined by the Plan Administrators. Anything to the contrary contained herein notwithstanding, the Option Price for the shares subject to any Nonqualified Stock Option or any Incentive Stock Option shall not be less than \$1.00 or 100% of the Fair Market Value of the shares of Common Stock of the Company on the date the Stock Option is granted, whichever is greater. In the case of an Incentive Stock Option

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granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, the Option Price shall not be less than \$1 .10 or 110% of the Fair Market Value of the shares of Common Stock of the Company on the date the Stock Option is granted, which ever is greater.

9.3 Notice and Payment. Any exercisable portion of a Stock Option may be exercised only by:

(a) delivery of a written notice to the Company, prior to the time when such Stock Option becomes unexercisable under Section 9.6 hereof, stating the number of shares being purchased and complying with all applicable rules established by the Plan Administrators;

(b) payment in full of the Option Price of such Option by, as applicable; (i) cash or check for an amount equal to the aggregate Option Price for the number of shares being purchased; (ii) in the discretion of the Plan Administrators, upon such terms as the Plan Administrators shall approve, a copy of instructions to a broker directing such broker to sell the Common Stock for which such Stock Option is exercised, and to remit to the Company the aggregate Option Price of such Stock Option (a "cashless exercise"); (iii) in the discretion of the Plan Administrators, upon such terms as the Plan Administrators shall approve, the Optionee may pay all or a portion of the Option Price for the number of shares being purchased by tendering shares of the Company's Common Stock owned by the Optionee, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the aggregate Option Price of the shares with respect to which such Stock Option or portion is thereby exercised (a "stock-for-stock exercise"); or (iv) in any other form of legal consideration that may be acceptable to the Plan Administrators ("other legal consideration");

(c) payment of the amount of tax required to be withheld (if any) by the Company or any parent or subsidiary corporation as a result of the exercise of a Stock Option. At the discretion of the Plan Administrators, upon such terms as the Plan Administrators shall approve, the Optionee may pay all or a portion of the tax withholding by; (i) cash or check payable to the Company; (ii) cashless exercise; (iii) stock-for-stock exercise; (iv) other legal consideration; or (v) a combination of (i), (ii), (iii) and (iv); and

(d) delivery of a written notice to the Company requesting that the Company direct the transfer agent to issue to the Optionee (or to his designee) a certificate for the number of shares of Common Stock for which the Stock Option was exercised or, in the case of a cashless exercise, for any shares that were not sold in the cashless exercise.

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Notwithstanding the foregoing, the Company, subject to the provisions of Section 9.11 hereof, may extend and maintain, or arrange for the extension and maintenance of, credit to any Optionee to finance the Optionee's payment of the Option Price upon the exercise of any Stock Option, on such terms as may be approved by the Plan Administrators, subject to applicable regulations of the Federal Reserve Board and any other laws or regulations in effect at the time such credit is extended. The Plan Administrators may, at any time and in their discretion, authorize a cash payment, determined in accordance with Section 9.12, which shall not exceed the amount required to pay in full the federal, state and local tax consequences of an exercise of any Stock Option granted under the Plan.

9.4 Non-Transferability of Options.

(a) Generally. No Stock Option granted under this Plan shall be assignable

or transferable, directly or indirectly, by an Optionee other than by will or the laws of descent and distribution, and such Stock Option may be exercised during the Optionee's lifetime only by the Optionee, or in the event of death or Disability, by the Optionee's legal representative or personal representative.

(b) Exceptions. Notwithstanding Section 9.4(a), a Nonqualified Stock Option may be transferred to a Family Member of the Optionee. In the case of a transfer pursuant to this Section, the remaining provisions of this Plan and the terms of any Stock Option agreement under this Plan shall continue to apply as if the Optionee retained ownership of the Stock Option.

9.5 Exercise of Stock Option. The Plan Administrators shall have the power to set the time or times within which each Stock Option shall be exercisable and to accelerate the time or times of exercise. To the extent that an Optionee has the right to exercise a Stock Option and purchase shares pursuant thereto, the Stock Option may be exercised from time to time as provided in this Section 9.5. Subject to the actions, conditions and/or limitations set forth in this Plan and/or any applicable Stock Option agreement entered into hereunder, Stock Options granted under this Plan shall be exercisable in accordance with the following rules:

(a) Subject in all cases to the provisions of Sections 8 and 9.6 hereof, Stock Options shall vest and become exercisable as determined by the Plan Administrators; provided, however that by a resolution adopted after a Stock Option is granted the Plan Administrators, may, on such terms and conditions as the Plan Administrators may determine to be appropriate, accelerate the time at which such Stock Option or installment thereof may be exercised.

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(b) Subject to the provisions of Sections 8 and 9.6 hereof, a Stock Option may be exercised when and to the extent such Stock Option becomes an Accrued Installment as provided in the terms under which such Stock Option was granted and at any time thereafter during the term of such Stock Option; provided, however, that in no event shall any Stock Option be granted after the Plan Termination Date.

9.6 Term of Stock Option. Any unexercised Accrued Installment of any Stock Option granted hereunder shall expire and become unexercisable and no Stock Option shall be exercisable after the earliest of:

(a) ten (10) years from the date of grant; or

(b) the expiration date of the Stock Option established by the Plan Administrators at the time of grant of any Stock Option; or

(c) thirty (30) days following the effective date of the termination of employment or directorship (if such individual is not then an officer or employee of the Company) with the Company or any Affiliate, as the case may be, of an Optionee for any reason other than death or Disability (the "Termination Date"). The Plan Administrators, in their sole discretion, may extend such thirty (30) day period for a period following the Termination Date, but in no event beyond ten years from the date of grant. Any installments under Stock Options that have not accrued (become vested) as of said Termination Date shall expire and become unexercisable as of said Termination Date. The Plan Administrators, in their sole discretion, may vest any installments under Stock Options. Unless otherwise determined by the Plan Administrators in their sole discretion, any portion of a Stock Option that expires hereunder shall remain unexercisable and be of no effect whatsoever after such expiration notwithstanding that such Optionee may be reemployed by, or again become a director of, the Company or a subsidiary thereof, as the case may be; or

(d) notwithstanding the foregoing provisions of this Section 9.6, in the event of the death of an Optionee while an employee, consultant, officer or director of the Company or any Affiliate, as the case may be, or in the event of the termination of employment, directorship or a contract to render services to the Company by reason of the Optionee's Disability, any unexercised Accrued Installment of the Stock Option granted hereunder to such Optionee shall expire and become unexercisable as of the earlier of:

(i) the expiration date of the Stock Option established by the Plan

Administrators at the time of grant of any Stock Option; (ii) ten (10) years from the date of grant;

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or (iii) eighteen (18) months after the date of death of such Optionee (if applicable) and one (1) year after the date of the termination of employment or directorship by reason of Disability (if applicable). Any installments under a deceased Optionee's Option that have not become exercisable as of the date of his or her death shall expire and become unexercisable as of said date of termination of employment as a result of death or Disability. For purposes of this Subsection 9.6(d), an Optionee shall be deemed employed by the Company or any of its subsidiaries, as the case may be, during any period of leave of absence from active employment as authorized by the Company or any of its subsidiaries, as the case may be; or

(e) in the case of an Incentive Stock Option granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, the term set forth in Subsection 9.6(a), above, shall not be more than five years after the date the Stock Option is granted.

- 9.7 Limit on Incentive Stock Options. The aggregate Fair Market Value (determined at the time the Incentive Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options granted under this Plan are exercisable for the first time by an Optionee during any calendar year shall not exceed \$300,000. To the extent that the aggregate Fair Market Value (determined at the time the Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all Incentive Stock Option plans of the Company and any parent or subsidiary corporations) exceeds \$300,000, such Stock Options shall be treated as Nonqualified Stock Options. The determination of which Stock Options shall be treated as Nonqualified Stock Options shall be made by taking Stock Options into account in the order in which they were granted.
- 9.8 No Fractional Shares. In no event shall the Company be required to issue fractional shares upon the exercise of a Stock Option.
- 9.9 Exercisable in the Event of Death. In the event of the death of the Optionee, any such Accrued Installment of a deceased Optionee may be exercised prior to its expiration pursuant to Section 9.6 by (and only by) the Optionee's personal representatives, heirs, or legatees or other person or persons to whom the Optionee's rights shall pass by will or by the laws of the descent and distribution, if applicable, subject, however, to all of the terms and conditions of this Plan and the applicable Stock Option agreement governing the exercise of Stock Options granted hereunder.

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- 9.10 Modification, Extension, and Renewal of Stock Options. Subject to the terms and conditions and within the limitations of the Plan, the Plan Administrators may modify, extend, or renew outstanding Stock Options granted under the Plan, accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefore (to the extent not theretofore exercised). The Plan Administrators may modify any outstanding Stock Options so as to specify a lower Option Price. The Plan Administrators shall not, however, without the consent of the Optionee, modify any outstanding Incentive Stock Option in any manner that would cause the Stock Option not to qualify as an Incentive Stock Option. Notwithstanding the foregoing, no modification of a Stock Option shall, without the consent of the Optionee, alter or impair any rights of the Optionee under the Stock Option.
- 9.11 Loans. The Company may extend and maintain, or arrange for the extension and maintenance of, credit to any Optionee to finance the Optionee's purchase of shares pursuant to the exercise of any Stock Option, on such terms as may be approved by the Plan Administrators, subject to applicable regulations of the Federal Reserve Board and any other laws or regulations in effect at the time such credit is extended, either on or after the date

of grant of such Stock Option. Such loans may be either in connection with the grant or exercise of any Stock Option, or in connection with the payment of any federal, state and local income taxes in respect of income recognized upon exercise of a Stock Option. The Plan Administrators shall have full authority to decide whether to make a loan hereunder and to determine the amount, term, and provisions of any such loan, including the interest rate (which must be not less than the Company would pay) charged in respect of any such loan, whether the loan is to be secured or unsecured, the terms on which the loan is to be repaid and the conditions, if any, under which it may be forgiven. However, no loan hereunder shall have a term (including extensions) exceeding three years in duration or be an amount exceeding the total Option Price paid by the borrower under a Stock Option or for related Common Stock under the Plan plus an amount equal to the cash payment permitted in Section 9.12 below.

9.12 Cash Payments. The Plan Administrators may, at any time and in their discretion, authorize a cash payment in respect of the grant or exercise of a Stock Option under the Plan or the lapse or waiver of restrictions under

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a Stock Option, which shall not exceed the amount that would be required in order to pay in full the federal, state and local income taxes due as a result of income recognized by the recipient as a consequence of: (i) the receipt of a Stock Option or the exercise of rights there under, and (ii) the receipt of such cash payment. The Plan Administrators shall have complete authority to decide whether to make such cash payments in any case, to make provisions for such payments either simultaneously with or after the grant of the associated Stock Option, and to determine the amount of any such payment.

10. Restricted Stock.

10.1 General. Restricted Stock may be issued either alone or in addition to Stock Options granted under the Plan. The Plan Administrators shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Stock shall be made; the number of shares to be awarded; the price, if any, to be paid by the recipient of Restricted Stock; the Restricted Period, as defined in Section 10.3 hereof, applicable to Restricted Stock; the date or dates on which restrictions applicable to Restricted Stock awards shall lapse during the Restricted Period; and all other conditions of the Restricted Stock awards. Subject to the requirements of Section 162(m) of the Code, as applicable, the Plan Administrators may also condition the grant of Restricted Stock upon the exercise of Stock Options, or upon such other criteria as the Plan Administrators may determine, in their sole discretion. The provisions of Restricted Stock awards need not be the same with respect to each recipient. In the sole discretion of the Plan Administrators, loans may be made to Participants in connection with the purchase of Restricted Stock under substantially the same terms and conditions as provided in Section 9.11 hereof with respect to the exercise of Stock Options.

10.2 Awards and Certificates. The prospective recipient of an Option to receive Restricted Stock shall not have any rights with respect to such Option, unless and until such recipient has executed an agreement evidencing the Option (a "Restricted Stock Option Agreement") and delivered a fully executed copy thereof to the Company, within a period of sixty days (or such other period as the Plan Administrators may specify) after the granting date. Except as otherwise provided below in this Section 10.2, (i) each Participant who exercises his Option for Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock; and (ii) such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Stock.

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The Plan Administrators may require that the stock certificate(s) evidencing the issuance of Restricted Stock hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock so issued, the Participant

shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Option.

10.3 Restrictions and Conditions. The Restricted Stock Options granted pursuant to this Section 10 shall be subject to the following restrictions and conditions:

(a) Subject to the provisions of the Plan and the Restricted Stock Option Agreement, as a appropriate, governing such Option, during such period as may be set by the Plan Administrators commencing on the grant date (the "Restricted Period"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock issued under the Plan; provided, however, that the Plan Administrators may, in their sole discretion, provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Plan Administrators may determine, in their sole discretion, including, but not limited to, the attainment of certain performance related goals, the Participant's termination of employment or service, death or Disability.

(b) Except as provided in Section 10.3(a), the Participant shall generally have, with respect to shares of Restricted Stock, all of the rights of a stockholder with respect to such stock during the Restricted Period. Certificates for shares of unrestricted Common Stock shall be delivered to the Participant promptly after, and only after, the Restricted Period shall expire without forfeiture in respect of such shares of Restricted Stock, except as the Plan Administrators, in their sole discretion, shall otherwise determine.

(c) The rights of holders of Restricted Stock Options upon termination of employment or service for any reason during the Restricted Period shall be set forth in the Restricted Stock Option Agreement governing such awards.

11. Termination or Amendment of the Plan. The Board may at any time terminate or amend the Plan in accordance with the following provisions:

11.1 Amendment to Plan. Except as provided in Section 11.3 hereof, the Board may amend this Plan from time to time in such respect as the Board

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may deem advisable, provided, however, that no such amendment shall operate to affect adversely a Participant's rights under this Plan with respect to any Stock Option or Restricted Stock Option granted hereunder prior to the adoption of such amendment, except as may be necessary, in the judgment of counsel to the Company, to comply with any applicable law.

11.2.1.1 Effect of Termination of Plan on Outstanding Stock Options or Restricted Stock. Except as set forth in Section 8.2 hereof, no termination of the Plan prior to the Plan Termination Date shall, without the written consent of the Participant, alter the terms of Stock Options or Restricted Stock already granted and such Stock Options or Restricted Stock shall remain in full force and effect as if this Plan had not been terminated.

11.3 Stockholder Approval for Amendment to Plan. Any amendment to the Plan that would result in any of the following changes (except by operation of Section 8.2) must be approved by the stockholders of the Company: (I) an increase in the total number of shares of Common Stock covered by the Plan; (ii) a change in the class of persons deemed to be Eligible Recipients under the Plan; and (iii) an extension of the term of the Plan beyond ten (10) years from the Effective Date.

12. Indemnification. In addition to such other rights of indemnification as they may have as members of the Board, the Compensation Committee, and each member individually, and the Plan Administrators shall be indemnified by the Company against reasonable expense, including reasonable attorney's fees, actually and necessarily incurred in connection with the defense of any action, suit, or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any grant there under, and against all amounts paid by them in settlement thereof (provided

such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any action, suit, or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit, or proceeding that any of them is liable for gross negligence or misconduct in the performance of their duties, provided that within sixty (60) days after institution of any such action, suit, or proceeding, they shall offer in writing to the Company the opportunity, at their own expense, to handle and defend the same.

13. Withholding. Whenever the Company proposes or is required to issue or transfer shares under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares of Common Stock. If an Optionee surrenders shares acquired pursuant to the exercise of an

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Incentive Stock Option in Incentive Stock Option in payment of the Option Price and such surrender constitutes a disqualifying disposition for purposes of obtaining Incentive Stock Option treatment under the Code, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any federal, state and local withholding tax requirements. An Optionee may elect with respect to any Stock Option that is paid in whole or in part in shares of Common Stock, to surrender previously acquired shares of Common Stock or authorize the Company to withhold shares (valued at Fair Market Value on the date of surrender Or withholding of the shares) in satisfaction of all such withholding requirements (the "Share Surrender Withholding Election") in accordance with the following:

- 13.1 Irrevocable Election. Any Share Surrender Withholding Election shall be made by written notice to the Company and thereafter shall be irrevocable by the Optionee.
- 13.2 Approval by Plan Administrators. Any Share Surrender Withholding Election shall be subject to the consent or disapproval of the Plan Administrators in accordance with rules established from time to time by the Plan Administrators.
- 13.3 Timing of Election. Any Share Surrender Withholding Election must be made prior to the date on which the Optionee recognizes taxable income with respect to the receipt of such shares (the "Tax Date").
- 13.4 Timing of Delivery. When the Tax Date falls after the exercise of a Stock Option and the Optionee makes a Share Surrender Withholding Election, the full number of shares subject to the Stock Option being exercised will be issued, but the Optionee will be unconditionally obligated to deliver to the Company on the Tax Date the number of shares having a value on the Tax Date equal to the Optionee's federal, state and local withholding tax requirements.
- 13.5 Terms in Agreement. For purposes of this Section 13.5, the Plan Administrators shall have the discretion to provide (by general rule or a provision in the specific Stock Option agreement) at the election of the Optionee, "federal, state and local withholding tax requirements" that shall be deemed to be any amount designated by the Optionee that does not exceed his estimated federal, state and local tax obligations associated with the transaction, including FICA taxes to the extent applicable.

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14. General Provisions.

- 14.1 Transfer of Common Stock. Common Stock issued pursuant to the exercise of a Stock Option or the grant of a Restricted Stock Option granted under this Plan or any interest in such Common Stock, may be sold, assigned, gifted, pledged, hypothecated, encumbered or otherwise transferred or alienated in any manner by the holder(s) thereof, subject, however, to any restrictions

contained in the Company's Restated Articles of Incorporation, to the provisions of this Plan, including any representations or warranties requested under Section 14.5 hereof, and also subject to compliance with any applicable federal, state, local or other law, regulation or rule governing the sale or transfer of stock or securities.

14.2 Reservation of Shares of Common Stock. The Company, during the term of this Plan, will at all times reserve and keep available such number of shares of its Common Stock as shall be sufficient to satisfy the requirements of the Plan.

14.3 Restrictions on Issuance of Shares. The Company, during the term of this Plan, will use commercially reasonable efforts to seek to obtain from the appropriate regulatory agencies any requisite authorization in order to issue and sell such number of shares of its Common Stock as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain from any such regulatory agency having jurisdiction thereof the authorization deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares of its Common Stock hereunder or the inability of the Company to confirm to its satisfaction that any issuance and sale of any shares of such Common Stock will meet applicable legal requirements shall relieve the Company of any liability in respect of the non-issuance or sale of such Common Stock as to which such authorization or confirmation shall have not been obtained.

14.4 Notices. Any notice to be given to the Company pursuant to the provisions of this Plan shall be in writing and addressed to the Company in care of its Plan Administrators at its principal office, and any notice to be given to a director, officer, employee or consultant of the Company or any of its Affiliates to whom a Stock Option or Restricted Stock Option is granted hereunder shall be in writing and addressed to him or her at the address given beneath his or her signature on his or her Stock Option agreement or Restricted Stock Option agreement, as the case may be, or at such other address as such employee, officer, director or consultant or his or her transferee (upon the transfer of Common Stock) may hereafter designate in writing to the Company. Any such notice shall be deemed duly given when delivered in person or mailed by first-class mail (return

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receipt requested), telecopy or overnight courier to the other's address. It shall be the obligation of each Participant and each transferee holding Common Stock granted pursuant to the Plan to provide the Plan Administrators, by letter mailed as provided hereinabove, with written notice of his or her correct mailing address.

14.5 Representations and Warranties. As a condition to the exercise of any portion of a Stock Option or the grant of any Restricted Stock award, the Company may require the person exercising such Stock Option or receiving such Restricted Stock to make any representation and/or warranty to the Company as may, in the judgment of counsel to the Company, be required under any applicable law or regulation, including, but not limited to, a representation and warranty that the shares are being acquired only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required under the Securities Act of 1933, as amended (the "Securities Act"), or any other applicable law, regulation or rule of any governmental agency.

14.6 No Enlargement of Employee Rights. This Plan is purely voluntary on the part of the Company, and while the Company hopes to continue it indefinitely, the continuance of the Plan shall not be deemed to constitute a contract between the Company or any of its Affiliates and any director, officer, consultant or employee, or to be consideration for, or a condition of, the employment of any employee. Nothing contained in the Plan shall be deemed to give any employee the right to be retained in the employ of the Company or any of its Affiliates or to interfere with the right of the Company or any of its Affiliates to terminate the employment or service of any of its officers, directors, employees or consultants at any time. No officer, director, employee or consultant shall have any right to or

interest in Stock Options or Restricted Stock awards authorized hereunder prior to the grant of such a Stock Option or Restricted Stock Option to such officer, director, employee or consultant, and upon such grant he shall have only such rights and interests as are expressly provided herein, subject, however, to all applicable provisions of the Company's Restated Articles of Incorporation, as the same may be amended from time to time.

- 14.7 Restrictions on Issuance of Shares. The issuance of Stock Options, Restricted Stock Options and shares of Common Stock related thereto shall be subject to compliance with all of the applicable requirements of law with respect to the issuance and sale of securities as the Plan Administrators may deem advisable under the Securities Act, including, without limitation, any required qualification under the rules, regulations or other requirements of the Securities and Exchange Commission, any Stock exchange upon which the Common Stock is then listed and any applicable federal and state

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securities laws including, without limitation, any required qualification under the Nevada Corporate Securities Law or the Securities Act.

- 14.8 Legends on Stock Certificates. Unless there is a currently effective appropriate registration statement on file with the Securities and Exchange Commission pursuant to the Securities Act with respect to the shares of Common Stock issuable under this Plan, each Certificate representing such Common Stock shall be endorsed on its face with the following legend or its equivalent:

"Neither the shares represented by this Certificate, nor the Options pursuant to which such shares were issued, have been registered under the Securities Act of 1933, as amended. These shares have been acquired for investment (and not with a view to distribution or resale) and may not be sold, mortgaged, pledged, hypothecated or otherwise transferred without an effective registration statement for such shares under the Securities Act of 1933, as amended, or until the issuer has been furnished with an opinion of counsel for the registered owner of these shares, reasonably satisfactory to counsel for the issuer, that such sale, transfer or disposition is exempt from the registration or qualification provisions of the Securities Act of 1933, as amended."

A copy of this Plan shall be delivered to the Secretary of the Company and shall be shown by him to any eligible person making reasonable inquiry concerning it. In addition, the Company reserves the right to place any legends or other restrictions on each certificate representing Common Stock that may be required by any applicable state securities or other laws.

- 14.9 Remedies. Should any dispute arise concerning the sale or other disposition of a Stock Option, Restricted Stock or shares of Common Stock issued or issuable upon the exercise of a Stock Option, or any breach by the Company of the terms of the Plan, any Stock Option agreement or any Restricted Stock Option agreement, a Participant's sole and exclusive remedy shall be damages.
- 14.10 Invalid Provisions. In the event that any provision of this Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability shall not be construed as rendering any other provisions contained herein invalid or unenforceable, and all such other provisions shall be given full force and effect to the same extent as though the invalid or unenforceable provision was not contained herein.

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- 14.11 Applicable Law. This Plan shall be governed by and construed in accordance with the laws of the State of Nevada applicable to agreements made and to be performed entirely within such state and without regard to the conflict of law principles thereof.
- 14.12 Successors and Assigns. This Plan shall be binding on and inure to the benefit of the Company and the officers, directors, employees and

consultants of the Company and any Affiliate to whom a Stock Option or Restricted Stock is granted hereunder, and their heirs, executors, Administrator's, legatees personal representatives, assignees and transferees.

14.13 Rights as a Stockholder or Employee. A Participant or transferee of a Stock Option or Restricted Stock shall have no right as a stockholder of the Company with respect to any shares covered by any grant under this Plan until the date of the issuance of a share certificate for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether cash, securities, or other property) or distributions or other rights for which the record date is prior to the date such share certificate is issued, except as provided in Section 8.2 hereof.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officer and to be effective on this 10th day of April, 2002.

YP.Net, Inc.

By: /s/Angelo Tullo

Angelo Tullo
President and Chief Executive Officer

Attest:

By:

Secretary